




AUTOMOTIVE INDUSTRY

June **2015**



Published by:



A review of South Africa's automotive industry

The material contained in this report was compiled by Shona Kohler and the Research Unit of Creamer Media (Pty) Ltd, based in Johannesburg. Special credit is given to Creamer Media's Irma Venter, whose articles were widely used in the compilation of this report.

The information in this report is correct as of June 2015.

Report edited by Sheila Barradas, David Shepherd and Ria Theron.

Ordering information

To subscribe to *Research Channel Africa* or purchase this report contact:
Creamer Media (Pty) Ltd
tel +27 11 622 3744 or
email subscriptions@creamermmedia.co.za

Cover picture by Duane Daws.



Picture by Duane Daws



Presented by:

Powertech 

Table of Contents

■	List of abbreviations	4
■	Key developments	5
■	Local demand	6
	– Outlook	8
■	Production	10
	– Vehicle production	10
	– Component production	12
■	Sector support	15
	– AIS revisions and expansions	16
	– APDP review	16
■	Trade	17
	– Exports	17
	– Imports	18
	– Automotive trade balance	18
■	Investment	19
■	Competitiveness	23
	– Electricity	23
	– Labour	25
	– Logistics	25
	– South Africa's natural advantage	26
	– Emerging competitors	27
■	Environmental considerations	28
	– Energy efficient manufacturing	28
	– Cleaner fuels	29
	– Fully electric vehicles	29
■	Major car manufacturers in South Africa	31
	– BMW South Africa	31
	– Ford Motor Company of Southern Africa	31
	– General Motors South Africa	32
	– Mercedes-Benz South Africa	32
	– Nissan South Africa	33
	– Toyota South Africa Motors	34
	– Volkswagen Group South Africa	34
■	Appendix 1: Industry data	36
■	Appendix 2: Company contact details	38
■	Appendix 3: Association contact details	41
■	Main sources	42



List of abbreviations

ABIL	African Bank Investments Limited
AIDC	Automotive Industry Development Centre
AIEC	Automotive Industry Export Council
AIS	Automotive Investment Scheme
AMH	Associated Motor Holdings
APDP	Automotive Production and Development Programme
Capex	capital expenditure
CDC	Coega Development Corporation
CF	clean fuels
CKD	completely knocked down
DTBSA	Daimler Trucks and Buses South Africa
FAW	First Automotive Works
FMC	Ford Motor Company
FMCSA	Ford Motor Company of Southern Africa
GMSA	General Motors South Africa
HASA	Hyundai Automotive South Africa
ISO	International Organisation for Standardisation
LCV	light commercial vehicle

MBSA	Mercedes-Benz South Africa
MHCV	medium and heavy commercial vehicles
MHCV-AIS	Medium and Heavy Commercial Vehicles – Automotive Investment Scheme
MIDP	Motor Industry Development Programme
Naacam	National Association of Automotive Component and Allied Manufacturers
Naamsa	National Association of Automobile Manufacturers of South Africa
NCPC-SA	National Cleaner Production Centre of South Africa
NMBLP	Nelson Mandela Bay Logistics Park
OEM	original equipment manufacturer
P-AIS	People-carrier Automotive Investment Scheme
SA	South Africa
Sapia	South African Petroleum Industry Association
SKD	semi-knocked down
TMSA	Tata Motors South Africa
TSAM	Toyota South Africa Motors
VWSA	Volkswagen Group South Africa



Key developments

February 2014: Toyota South Africa Motors launches the volume production of the new Corolla at its Durban, KwaZulu-Natal plant.

April 2014: Nissan becomes the first major vehicle manufacturer to build a car in Nigeria, following the announcement of the Nigeria Automotive Policy.

May 2014: Hino South Africa, a subsidiary of Toyota South Africa Motors, opens its new truck plant.

June 2014: Mercedes-Benz produces the first new C-Class vehicle at its East London plant, in the Eastern Cape.

June 2014: Nissan South Africa takes over the distribution of the Japanese manufacturer's vehicles in several African countries where they were previously distributed by independent distributors.

June 2014: Volkswagen Group South Africa produces its 500 000th EA111 engine at its engine plant production line, marking the two-millionth engine produced at the plant.

July 2014: First Automotive Works produces the first commercial truck at its new R600-million assembly plant, in the Eastern Cape.

July 2014: Ford Motor Company of Southern Africa celebrates the production of its three-millionth engine at its Struandale engine plant, in the Eastern Cape.

July 2014: South African vehicle manufacturers are affected by a National Union of Metalworkers of South Africa-led metal and engineering sector strike.

July 2014: Trade and Industry Minister Dr Rob Davies approves the revised guidelines for the Automotive Investment Scheme and the People-carrier Automotive Investment Scheme.

August 2014: The Mercedes-Benz E-Class is crowned the best-quality passenger car in South Africa, followed by the C-Class Coupé and the C-Class petrol model. Toyota takes the number one position in the pick-up vehicle (also known in South Africa as bakkie) rankings, with the Hilux petrol single-cab in the number one position, followed by the Hilux petrol double-cab.

October 2014: The Competition Commission launches an investigation into what it says are "price fixing, market division and collusive tendering in the market for the manufacture and supply of automotive components to original equipment manufacturers".

November 2014: BMW South Africa signs a renewable-energy power purchasing agreement with energy company Bio2Watt.

November 2014: Trade and Industry Minister Dr Rob Davies approves the new Medium and Heavy Commercial Vehicles Automotive Investment Scheme guidelines to stimulate investment in the production of these vehicles in South Africa.

December 2014: Volkswagen Group South Africa achieves ISO 50001 certification for its energy management systems.

February 2015: Hyundai Automotive South Africa assembles its first H100 light commercial vehicle at its Gauteng plant.

February 2015: Toyota South Africa Motors wins its second consecutive Energy Company of the Year award, presented by the Southern Africa Association for Energy Efficiency, for its efforts in energy efficiency.

March 2015: The Automotive Industry Development Centre launches construction of its new R80-million incubation centre at Nissan South Africa's manufacturing facility.

March 2015: BMW South Africa launches a new fully electric vehicle onto the South African market.

May 2015: South Africa's Automotive Export Manual 2015 reports that the country's automotive industry's export earnings for 2014 increased by 12.7% to a record R115.7-billion, compared with the R102.7-billion reported in 2013.

May 2015: BMW South Africa and Nissan South Africa sign a memorandum of agreement that will result in the two companies jointly planning and building a national grid of electric vehicle and plug-in hybrid vehicle charging stations for use by Nissan and BMW vehicles.



Local demand

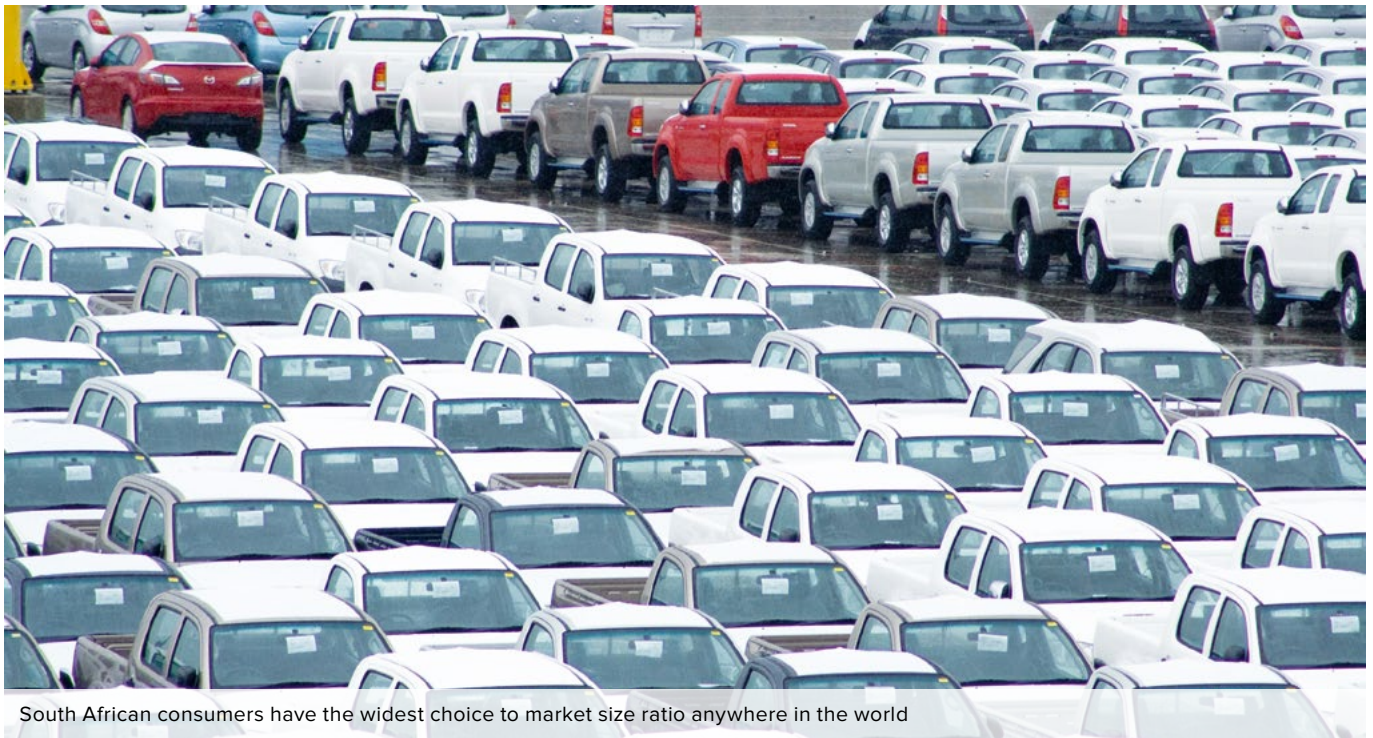
South African automotive demand is met by a range of locally produced and imported vehicles. The market is considered to be “intensely competitive”, with there being more than 55 brands and 4 406 model derivatives competing for consumers in the new-car passenger car market in 2014. This means that South African consumers had the widest choice to market size ratio anywhere in the world. In the light commercial vehicle (LCV) segment, there were 31 brands with 615 model derivatives from which to choose.

The National Association of Automobile Manufacturers of South Africa (Naamsa) indicates that 644 504 new vehicles were sold in South Africa in 2014, marking a slight year-on-year decline on the sales recorded in 2013. The decline, measuring 0.7%, was the first recorded since 2009, when the market dropped a significant 25.9% in response to the then global

economic crisis. Nevertheless, new-vehicle sales turnover increased by 9.8% to R225-billion in 2014.

In the passenger car segment, 439 264 vehicles were sold in 2014, marking a 2.5% decline from 2013. The LCV and medium and heavy commercial vehicle (MHCV) segments, however, both recorded increases in sales volumes, selling 173 689 and 31 551 vehicles respectively, representing increases of 3.4% and 2% on the previous year.

Factors contributing to the overall decline in vehicle sales include that the vehicle replacement cycle – in terms of which owners replace their vehicles owing to age or mileage – seemingly reached its end in 2013. Sales were also subdued owing to factors that negatively affected the affordability of and demand for vehicle finance, including the slowdown in the domestic



Picture by Duane Daws

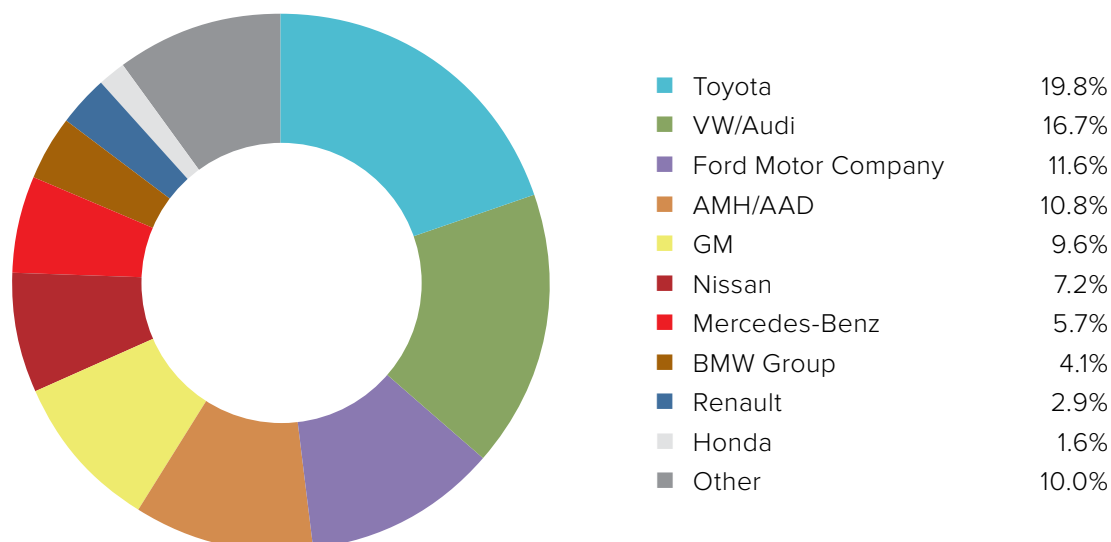
South African consumers have the widest choice to market size ratio anywhere in the world

Presented by:

Powertech 



Market share in the South African automotive industry (2014)



Source: Automotive Industry Export Council: South Africa Automotive Export Manual 2015

economy, and two recent interest rate increases. Further, new-vehicle price increases have been above inflation. Vehicle importers have been more affected by price increases, as they “tend to move more aggressively on pricing”, compared with local vehicle manufacturers, as the rand weakens. However, local manufacturers have also been affected by the devaluation of the rand, owing to significant cost increases in imported parts. Investment holding company Combined Motor Holdings indicates that, for some brands in 2014, price increases were as high as 14% for fully imported cars.

The factors that negatively affected vehicle demand outweighed a strong contribution by the car-rental sector, which accounted for an estimated 14% of new-car sales during the year.

Naamsa has described 2014 as “a difficult year for the South African automotive industry”.

The South African new-vehicle sales market has, in recent years, demonstrated a trend of “buying down”, with a director at a local car company having noted that affordability is “becoming more and more of an

Car brand loyalty low among young South Africans

In mid-2014, a study by Ipsos showed that more than a third (35%) of current car owners considering purchasing a new car in the near future said they would possibly purchase a different car brand to the one they currently had. A further third of car owners were undecided on the matter.

“What this means is that car manufacturers can count on less than 30% repeat purchases,” says Ipsos South Africa loyalty research head Rentia Krämer. “This indicates a low level of brand loyalty in the automotive market.”

The lack of loyalty was most noticeable among 25- to 34-year-old vehicle owners, as well as higher-income vehicle owners.

According to the study, 28% of vehicle owners said price is the most important factor when purchasing a vehicle. This was followed by brand reputation (15%), fuel efficiency (13%) and engine size (12.5%). The study also showed a subtle trend towards downscaling – 28% of current car owners said they were considering buying a smaller car in terms of price, size and engine size. Krämer contends that these price and cost factors are most likely affected by the general economic conditions, inflation and ever-increasing pressure on household budgets.

Source: *Engineering News*

Presented by:

Powertech



Vehicle sales in South Africa

	2009	2010	2011	2012	2013	2014	2015 (projection)
New cars	258 129	337 130	396 292	442 604	450 296	439 264	455 000
New LCVs	118 159	133 756	149 301	160 174	167 996	173 689	183 000
New MHCVs	18 934	22 021	26 656	27 841	30 924	31 551	33 000
Total domestic sales	395 222	492 907	572 249	630 619	649 216	644 504	671 000

Source: Compiled from Naamsa industry statistics, February 2015

issue". Given that many consumers are highly indebted and finding it difficult to obtain credit for higher-priced vehicles, demand for favourably priced entry-level vehicles remains strong. There is also growing competition in this more affordable segment of the market, which creates more consumer choice and, subsequently, increasing interest in this segment of the new-car market. The buying-down trend is not unique to South Africa, with the same trend being evident, for example, in Europe. Car companies contend that the trend towards buying down is not good for them, as small cars result in smaller profits.

The factors contributing to the trend towards smaller car purchases are also providing support to the used-vehicle market, where buyers have the perception of being able to find better value for money. The used-vehicle market is benefiting from the availability of good-quality stock at an affordable price. Statistics from online vehicle portal Surf4Cars show the increasing trend among consumers to shop for cars in the used-vehicle market. Surf4Cars MD Charles Grassie notes, "The needs of the market are fairly clear when looking at the data. And, the picture painted is one of affordability: the majority of searches are for small family hatchbacks in the entry-level price bands."

Further, with future fuel price trends remaining heavily dependent on movements in the international oil price and the rand:dollar exchange rate, consumers continue to focus on buying more fuel-efficient vehicles.

The leader in the South African automotive market in 2014 was Toyota South Africa Motors (TSAM), for the thirty-fifth year running, with a market share of 19.8%. TSAM was followed by Volkswagen Group South Africa, Ford Motor Company of Southern Africa and Associated Motor Holdings. In 2014, the top selling vehicles in South Africa were the Toyota Hilux, the Volkswagen Polo Vivo, the Volkswagen Polo, the Ford Ranger, the

Toyota Corolla/Quest/Auris/Etios, the Nissan NP200, the Chevrolet Utility, the Isuzu KB and the Toyota Quantum.

The best quality passenger cars in South Africa are the Mercedes-Benz E-Class, followed by the C-Class Coupé and the C-Class petrol model. This is according to research house Ipsos, based on telephonic interviews conducted with new-vehicle buyers after three months of ownership. In these interviews, consumers indicate the problems they experience with their purchase in four categories – noise levels, appearance, static functional aspects (such as water leaks) and dynamic functional aspects (such as steering and handling). The Audi Q7 took top honours in the recreational vehicle rankings, followed by the Toyota FJ Cruiser. Toyota was number one in the pick-up rankings with its Hilux petrol single-cab, followed by the Hilux petrol double-cab.

Outlook

TSAM marketing and sales senior VP Calvyn Hamman noted in late 2014 that "[the automotive industry is] not in a downwards cycle. The market is more nervous than negative". TSAM president and CEO Dr Johan van Zyl echoed this sentiment, noting that "this is not doom and gloom".

Naamsa, in fact, is relatively upbeat regarding new-vehicle sales in 2015. The association noted in March 2015 that it expected new-vehicle sales in South Africa to register marginal growth for the year. This expectation is largely based on projections of a slight improvement in South Africa's economic growth rate to about 2%, relative stability in automotive sector industrial relations and moderating consumer price inflation, as well as steady interest rates and credit ratings.

These positive factors could be offset by higher-than-inflation new-vehicle price increases, as a result of

Presented by:

Powertech 



Global automotive outlook

KPMG International's latest Global Automotive Executive Survey, released in April 2015, shows that short-term market issues are taking precedence over strategic innovations. The survey canvassed 200 automotive executives.

The document notes that respondents view market growth in emerging markets as the most important trend in the global automotive industry to 2025, followed by the downsizing and optimisation of the internal combustion engine. Self-driving cars, battery-electric mobility and connect car technologies came last in the list of key trends to 2025. In fact, 60% of North American respondents believe that autonomous driving is more than 21 years away, with 28% convinced it will never take off. In Western Europe, 43% of respondents believe this technology-shift is more than 21 years away, with 11% believing it will materialise in the next five to ten years. Respondents in the KPMG survey consider BMW as leading the field in connectivity and autonomous driving, followed by Daimler and General Motors.

When it comes to selecting vehicle features driving the purchasing choices of consumers, fuel efficiency is rated as the most important, followed by enhanced vehicle lifespan.

For some questions, the survey divided respondents into two groupings: the Triad countries, namely Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, Mexico, Netherlands, Norway, Spain, South Korea, Sweden, Switzerland, the UK and the US; and the Bric countries, namely Brazil, Russia, India and China.

Eighty-one per cent of Triad respondents expect the basic and small segment of the automotive market to grow until 2020. Only 49% believe that the midsize segment will grow, and 25% that the large and large-plus car segments will expand. However, in the Bric market, 79% of respondents expect the basic and small car segments will grow, while 73% believe the midsize segment will grow, and 57% that this will also be the case for the large and large-plus car segments.

Respondents consider BMW, Volkswagen, Toyota, Hyundai/Kia and General Motors as most likely to remain independent, while Fuji Heavy/Subaru, Isuzu Motors, Mazda and Geely are considered to require mergers to survive.

The two companies rated as most likely to increase market share until 2020 are Hyundai/Kia and Volkswagen. By 2020, respondents believe Volkswagen will be the world's largest vehicle maker, followed by Toyota, Renault-Nissan, General Motors and Hyundai. The 2014 standings were Toyota at number one, followed by Volkswagen, Renault-Nissan, General Motors and Hyundai.

Source: *Engineering News*

the weakness in the rand against major international currencies. The market could also be affected by shifts in lending patterns.

The collapse of African Bank Investments Limited (ABIL), in August 2014, could affect the availability of vehicle finance.

While ABIL supported the used-car market, through unsecured lending, more than the new-vehicle market, its failure could place a damper on how freely other financial institutions make credit available, which could ultimately affect new-car sales. The tendency towards buying down may continue, while the used-car market

may benefit from those who no longer feel willing to buy in the new-car market.

It has been suggested that, ultimately, there is limited scope for growth in the local automotive industry owing to South Africa's high levels of unemployment.

It has been suggested that more middle-class jobs will be required if the industry is to experience a notable upturn in local demand.

Meanwhile, the key "imponderable" regarding the outlook for the automotive industry relates to security and stability of the country's electricity supply.

Presented by:

Powertech 



Production

Vehicle production

The major passenger car and light commercial vehicle (LCV) manufacturers active in South Africa include the local subsidiaries of seven global automotive companies – BMW, Ford, General Motors, Daimler (Mercedes-Benz), Nissan, Toyota and Volkswagen. In addition, there are a number of dedicated truck assemblers active in South Africa, including Fuso, Freightliner, MAN, Tata, Isuzu Trucks, Hino, Volvo, Renault, Hyundai, FAW and UD Trucks.

In 2014, South Africa's automotive industry produced 566 083 vehicles, including 277 491 passenger cars and 255 629 LCVs. Total vehicle production was 3.7% up on production in 2013, passenger car production was up 4.7%, and LCV production was up 2.9%.

The National Association of Automobile Manufacturers of South Africa expects that vehicle production in South Africa will increase by a further 10.9% in 2015 to 627 500 vehicles.

Passenger car production is expected to increase by 15.3% to 320 000 units, and LCV production is expected to increase by 6.8% to 273 000 units.

The current installed capacity at South Africa's major car and LCV producers is about 850 000 vehicles a year. Average capacity utilisation to manufacture

cars was 67% in 2014, down from 68% in 2013. LCV manufacturing capacity utilisation levels reached 80.5% in 2014, up from 75.3% in 2013. For medium commercial vehicles, capacity utilisation was 85.7% in 2014, up from 59.8% in 2013, and for heavy commercial vehicles, utilisation levels reached 80.7% in 2014, up from 69.3% in 2013.

BMW South Africa produces BMW 3 Series vehicles for the local and export market at its plant in Rosslyn, Gauteng. In 2014, the plant produced just under 70 000 vehicles, and in March 2015 celebrated the production of its one-millionth 3 Series vehicle.

Ford Motor Company of Southern Africa (FMCSA) produced almost 80 000 vehicles at its vehicle plant in Silverton, Gauteng, in 2014. One of the primary vehicles produced at this plant is the Ford Ranger, which was the fourth-highest selling vehicle in South Africa in 2014.

The capacity of Ford's Silverton plant has doubled over the past three years. FMCSA also has an engine plant in Struandale, in the Eastern Cape.

General Motors South Africa produces Chevrolet Spark, Chevrolet Utility and Isuzu KB vehicles at its operations in Port Elizabeth, in the Eastern Cape. The company's production currently falls short of the 50 000-vehicle-a-year threshold required by South Africa's automotive incentive programme.

South African vehicle production

	2009	2010	2011	2012	2013	2014	2015 (projection)
Cars	222 981	295 394	312 265	272 076	265 140	277 491	320 000
LCVs	131 177	153 773	192 829	245 081	248 396	255 629	273 000
MHCVs	*	*	*		*	*	*
Total vehicle production	373 923	472 049	532 553	546 074	545 666	566 083	627 500

*Figures not available

Source: Compiled from Naamsa industry statistics, February 2015

Presented by:

Powertech 



Closure of any local assembly plant 'a total disaster' – Van Zyl

In March 2015, Toyota South Africa Motors president and CEO Dr Johan van Zyl, who is also the president of the National Association of Automobile Manufacturers of South Africa noted that the closure of any vehicle manufacturer's operations in South Africa would be "a total disaster".

He stated that South Africa's automotive manufacturing industry was "very much like" the industry in Australia, which was set to close down by 2018, owing to decreased government support, rising costs and shrinking volumes.

"We can't lose anyone. If one [manufacturer] leaves it would have a domino effect."

Van Zyl contends it would be impossible to sustain the South African component supplier base, should vehicle production volumes deteriorate owing to the departure of any single manufacturer.

"Slowly, but surely, things will just die."

While vehicle manufacturers do not use the same wiring harness, for example, the number of manufacturers present in South Africa ensure sufficient shared volume for a wiring harness producer to manufacture locally.

Van Zyl has emphasised that the closure of any local plant will not result in the remaining vehicle manufacturers gaining market share, as has been hinted at by some market commentators.

Source: *Engineering News* by allowing larger than necessary wage and salary increases

Mercedes-Benz South Africa produces C-Class vehicles at its East London plant, with the first of the new-generation C-Class vehicles rolling off the company's production line in May 2014. Production of the new C-Class, in left-hand- and right-hand-drive derivatives, has increased capacity at the plant from roughly 50 000 C-Class units a year to about 100 000 units a year.

Nissan South Africa (SA) has reported that it is facing two lean production years, as it comes to the end of the model life cycle of its one-ton NP300 pick-up. The company has experienced delays in the introduction of a new pick-up model to replace the NP300. Nissan SA's Rosslyn plant also produces the NP200 half-ton pick-up, but the company has noted that, without the NP300, it will have to consider other options to maintain its production at the incentive threshold. Assembly of the Renault Sandero at Nissan's plant has ceased, with the Sandero having been replaced in the market with an updated model that no longer shares a platform with the NP200. Meanwhile, Nissan SA remains a possible production location for the company's revived, lower-cost Datsun brand. The Nissan SA plant has the capacity to produce more than 100 000 vehicles a year.

Toyota was the number one vehicle producer in South Africa in 2014, producing an estimated 155 000 vehicles, excluding trucks. The company produces the Hilux, which was South Africa's top-selling vehicle in 2014, as well as the Corolla, Fortuner, Hilux, Corolla Quest, Hino truck range and Quantum minibus at its KwaZulu-Natal facilities.

In February 2014, the company launched volume production of the new Corolla, with the new model being the eleventh generation of this best-selling car. Further, Toyota South Africa Motors (TSAM) will produce the new generation Hilux pick-up, which is set to enter the local market in the first quarter of 2016. The company revealed this new vehicle in May 2015. TSAM has the capacity to produce 220 000 vehicles a year, with about 120 000 units of this capacity allocated to the Hilux.

Volkswagen Group South Africa (VWSA) is engaging in talks with its German parent company to secure local and export production of the new-generation Polo. The current Polo model, which is in the middle of its lifecycle, is assembled by VWSA at its Uitenhage plant. VWSA produced almost 120 000 vehicles in 2014,



and is hoping to lift its production volumes back to 150 000 units a year, and to move the plant back to being a three-shift operation.

Peugeot Citroën South Africa was aiming to secure local assembly of the Peugeot 301, but PSA Peugeot Citroën decided that such a move would not be viable. The company has started semi-knocked down production of the vehicle in Nigeria, with the aim of eventually progressing to completely knocked down production in that country, but has noted that it has not abandoned its plans to manufacture in South Africa.

Meanwhile, in the commercial vehicle sector, several assemblers have undertaken capacity expansions in recent months.

Component production

South Africa's automotive industry, including vehicle manufacturers and after-market participants, use a mix of locally manufactured and imported components. The local components industry consists of about 500 companies, including 120 first-tier suppliers. Many local component manufacturers produce parts exclusively for the automotive industry, but there are also several companies that supply the industry on a nonexclusive basis. The bulk of locally produced automotive components are sold locally, to vehicle assemblers and as spare parts, but automotive components companies are also active in the export market, selling their products to overseas original equipment manufacturers (OEMs).

The National Association of Automotive Component and Allied Manufacturers (Naacam) estimates that South Africa's component manufacturing sector recorded turnover of about R78.4-billion in 2014 and undertook capital expenditure of R2.7-billion.

The local components industry faces many challenges, several of which relate to its competitiveness, with the competitiveness of the industry being a key inhibitor of growth and a growing concern.

An important aspect of the components industry's competitiveness challenge is that components companies struggle to achieve economies of scale. In part, this situation is linked to South Africa's high level of vehicle imports, with vehicle importers, for the most part, making little use of locally made parts, including in the after-market.

South Africa's components industry in figures

- 140 – the number of companies that are members of the National Association of Automotive Component and Allied Manufacturers (Naacam).
- 23 – the number of Naacam associate members who provide mainly logistics, information technology and financial services.
- 82 790 – the estimated number of employees in the automotive component manufacturing sector at the end of 2014.
- 78.4-billion – the estimated total 2014 turnover, in rands, of the entire component manufacturing sector.
- 2.7-billion – the automotive component industry's 2014 capital expenditure, in rands.
- 60 – the local content of vehicles produced in South Africa in per cent. However, the net value of local components used in vehicles is significantly lower, at less than 40% of the total component value.

Source: National Association of Automotive Component and Allied Manufacturers

Further, local vehicle production volumes remain low, and locally manufactured vehicles generally have low levels of local content. Naacam contends that the net value of local components used in vehicles produced in South Africa amounts to less than 40% of the total component value of those vehicles. Vehicle manufacturers frequently claim higher levels of local content in their vehicles; however, Naacam explains that, if, in turn, the imported content of locally made parts is taken into account, then 40% is more accurate.

An initiative is being pursued by the automotive components industry to increase levels of localisation. As part of this, product subsectors that offer the greatest opportunity for local content are being identified. This effort is linked to the Automotive Supply Chain Competitiveness Initiative (ASCCI), which has been established to address competitiveness issues in the automotive industry generally. The Automotive Industry Export Council has identified the ASCCI as one of the automotive industry's major developments for 2014. OEMs are also making efforts to increase their levels of local content, and automotive manufacturer Nissan has noted that "rand volatility makes it more attractive to localise".

Presented by:

Powertech 



Competition Commission probes anticompetitive conduct in auto-parts sector

In October 2014, the Competition Commission launched an investigation into “price fixing, market division and collusive tendering in the market to manufacture and supply automotive components to original equipment manufacturers (OEMs)” such as Toyota, Daihatsu, Nissan, Isuzu, Fuji Heavy Industries (Subaru), Honda, Suzuki, General Motors, Hyundai, Yamaha, Volvo (cars), Mazda, Mitsubishi and Ford.

The investigation includes a number of automotive component manufacturers, such as Denso Corporation, Maruyasu Industrial Company, Hitachi Company, Mitsubishi Electric Corporation, Tokai Rika Company, NGK Spark Plug Company, Mikuni Corporation, Aisin Industries Company, Panasonic Corporation, Futaba Corporation and Fijistu-Ten.

The investigation arose from information received by the commission that automotive component manufacturers colluded when bidding for tenders to supply automotive components to the listed OEMs.

Five companies have come forward, providing detail on collusive behaviour to the commission.

The commission has indicated that it is hopeful that it will not have to prosecute all of the perpetrators, but that the parties involved could rather “sit down and agree on a settlement”, as was the case with the investigation into the local construction industry.

According to the statement released by the commission, information in its possession suggests that from 2000 to date, 82 automotive component manufacturers have colluded in respect of 121 automotive components. The components affected include inverters, electric power steering engine control units, electric power steering and motors, glow plugs, electric power steering systems, rear sunshades, pressure regulators, pulsation dampers, purge control valves, accelerator pedal modules, power management controllers, evaporative fuel canister systems, knock sensors, spark plugs and clearance sonar systems.

The National Association of Automobile Manufacturers of South Africa has indicated that the investigation has its origins in the US, Europe and the East, and appears to be focused on imported components, and not locally made components.

Source: *Engineering News*

On the other hand, components companies report battling against the fluctuating rand, with rand volatility making it difficult to undertake business planning activities. During periods of rand strength, component makers receive significantly fewer rands for the components they export, while Naacam has warned that sharp devaluations of the rand against major currencies only provide short-term benefits to component exporters. The association advises companies to use periods of rand weakness to become more efficient.

The components industry also struggles against counterfeit parts. Such parts often look like the genuine item, but do not conform to industry standards and, thus, pose a risk to the safety of motorists. However, they are attractive to consumers, as they are typically

sold at much cheaper prices than original parts. Parts that are frequently counterfeited are those that are easy to copy and can be used in a range of vehicles, thereby increasing their trade prospects. Intellectual property law firm Spoor & Fisher has suggested a multipronged approach in dealing with counterfeit parts, involving the South African Revenue Service's customs division, the Department of Trade and Industry and automotive industry stakeholders.

Certain parts of the automotive components industry have also reported struggling against “dumped” parts. For example, in 2014, the South African Battery Manufacturers Association launched an application with the International Trade Administration Commission of South Africa for protection against what it viewed as the dumping of Korean manufactured vehicle

Presented by:

Powertech 



batteries. Battery manufacturer Metair has explained that it is a “natural progression” that Korean component manufacturers will follow their homegrown car brands, such as Kia, to South Africa. However, the company contends that the “extensive export grants” provided

to the Korean battery manufacturing industry are “anticompetitive”. South Africa is the latest country to seek protection against the importation of Korean batteries, following Kenya, Morocco and Botswana, among other countries.



South Africa's automotive industry uses a mix of locally manufactured and imported components

Picture by VWSA

Presented by:

Powertech 



Sector support

Globally, it is the norm for governments to offer support to their automotive industries, with most countries offering a range of support measures to vehicle manufacturers, including subsidies, tariff support and tax concessions. They do so because of the investment required to set up a plant, the number of jobs an automotive industry creates, and the multiplier effect on the broader economy.

South Africa has offered support to its automotive industry since 1961, when Phase I of the Local Content Programme was introduced. Since then, support to the local industry has been structured in a variety of ways, but has always been based on duties and rebates, with some additional incentives for capital investments. It is expected that support to the industry will continue as long as it is evident that it is necessary to sustain the significant benefits the industry brings to the domestic economy.

Currently, support for South Africa's automotive industry takes the form of the Automotive Production and Development Programme (APDP), which entered full effect at the beginning of 2013 and will run until 2020.

The APDP is production rather than export focused, and is intended to ensure that South Africa's vehicle production increases to 1.2-million units a year by 2020, with an associated increase in localisation. However, the National Association of Automobile Manufacturers of South Africa (Naamsa) has noted that the 1.2-million-unit target was formulated in 2007 – prior to the global financial and economic meltdown, which severely impacted on the global economy and on South Africa. It contends that a more realistic target – based on current global realities, existing vehicle production plans, as well as the possibility of new entrants to the market – is probably about 850 000 vehicles by 2020.

The APDP has four key elements: stable and moderate import tariffs, a vehicle assembly allowance, a

production incentive and an automotive investment allowance.

The programme sets import tariffs at 25% for built-up vehicles and 20% for components through to 2020, with a preferential agreement allowing vehicles imported from the European Union to pay duties of only 18%. The tariffs set by the APDP are intended to provide just enough protection to justify continued local vehicle assembly. However, other elements of the APDP allow for import duties to be further reduced from the levels set by the scheme, thereby reducing the protection the APDP offers to the industry.

The vehicle assembly allowance, for example, provides vehicle manufacturers producing more than 50 000 vehicles a year with duty-free credits. This element of the APDP is intended to encourage local vehicle manufacturers to engage in high-volume production.

The production incentive of the APDP, which is intended to encourage local component production, also includes duty-free credits, calculated based on the value-added element of the component produced. Certain "vulnerable products" – such as alloy wheels, aluminium products, cast iron components, catalytic converters, flexible couplings, leather interiors, machined brass components and steel jacks – receive additional support through this incentive, but the components sector has noted that the support offered by this element of the APDP is significantly less than what was available under the previous automotive support scheme, the Motor Industry Development Programme (MIDP).

The investment allowance of the APDP, known as the automotive investment scheme (AIS), allows for a percentage of a project's value to be returned to investors over a three-year period. The AIS came into effect earlier than the rest of the APDP, in May 2010. Since its introduction, the AIS has been revised and expanded.

Presented by:

Powertech 



AIS revisions and expansions

In 2012, the Department of Trade and Industry (DTI) released the People-carrier Automotive Investment Scheme (P-AIS) as a subcomponent of the AIS, with a specific focus on the minibus and taxi segment.

In July 2014, Trade and Industry Minister Dr Rob Davies approved the revised guidelines for the AIS and the P-AIS. The amended AIS guidelines provide clarity on the nontaxability of the grant, as well as on the eligibility of tooling companies to apply for the same benefits as those enjoyed by component manufacturers under the scheme. The amended guidelines also include empowerment as part of the economic benefit criteria, and provide a clearer description of research and development requirements. They also make provision for increased support for component manufacturers. Further, the amended guidelines provide “relaxed and more inclusive” requirements for strengthening the supply-chain criteria and introduce support towards enterprise level competitiveness improvement costs for component manufacturers. Accelerated grant disbursements for component manufacturers on a 40:30:30 split have also been included in the guidelines.

Meanwhile, the P-AIS guidelines have been amended to align them to the revised AIS guidelines, specifically on conditions applicable to competitiveness improvements, administrative requirements and increased grant support for component manufacturers and tool-making companies.

In October 2014, government released the Medium and Heavy Commercial Vehicles – Automotive Investment Scheme (MHCV-AIS) guidelines, to stimulate investment in the production of these vehicles in South Africa. The MHCV-AIS provides a nontaxable cash grant of 20% of the value of qualifying investments in productive assets by MHCV manufacturers and 25% of the value of qualifying investments in productive assets by component manufacturers and tooling companies for MHCVs, as approved by the department. An additional nontaxable grant of 5% of the value of the qualifying investment in productive assets could also be available to projects that meet two of the following economic benefit criteria: tooling, research and development in South Africa, employment creation, strengthening the automotive supply chain, value addition and empowerment. The MHCV-AIS will be available to investment projects that

had a production start date from April 1, 2014, onwards, with the commissioning period not having exceeded 18 months prior to the start of production. Further, the DTI is targeting future support for completely knocked down (CKD) truck production, and no longer semi-knocked down (SKD) assembly. This shift to providing CKD support only is not yet legislated, but government has indicated its intention to phase out support for SKD assembly.

APDP review

Meanwhile, the APDP is undergoing review, with the outcomes of the review expected to be released in about mid-2015. The proposed implementation date of the amended APDP is currently January 2016.

Key to the review is the need for policy stability and certainty in the automotive industry, as demanded by international vehicle manufacturers, which have made investments on the basis of the incentives available under the scheme as it currently stands.

At the same time, the review has need to revisit the incentives available for component manufacturers. Former National Association of Automotive Component and Allied Manufacturers executive director Roger Pitot who also serves as an adviser to the DTI on the APDP, has noted that component makers are generally “not happy” with the APDP and that some have had to close down owing to the reduced benefits available under the programme, as compared to the benefits that were available under the MIDP.

Other competing demands that need to be taken into account in the APDP review include union demands for jobs, international competitiveness concerns, and the cost of the incentives to the national fiscus.

It is expected that beyond 2020, when the APDP is set to end, the DTI will continue to support the local automotive industry. Companies in the components industry contend that a post-2020 support programme will need to be substantially different from the APDP.

Components company Metair Investments has indicated that a new programme will need to be on the table within the next 18 to 24 months. This will provide the South African automotive industry with the certainty required to make investment decisions while also giving adequate time to adjust to the new policy.



Trade

Exports

The South African automotive industry's total export earnings in 2014, including vehicle and component exports, amounted to a record R115.7-billion. This was up on the R102.7-billion reported in 2013, and marked the second time in which the industry's exports exceeded the R100-billion mark. In part the 2014 export figure reflects currency weakness, with the rand having weakened significantly against several major currencies during the year. However, the change also reflects higher levels of exports.

Vehicles and components were exported to 148 countries during 2014, and the export value to more than 25 countries doubled on a year-to-year basis. The industry's top export destination, in value terms, was Germany, at R21.7-billion, followed by the US, at R17.1-billion.

South Africa exported 156 570 passenger cars, 118 891 light commercial vehicles (LCVs), and 1 412 medium and heavy commercial vehicles (MHCVs) and buses in 2014. Vehicles were exported to 88 countries, and Toyota South Africa Motors was the country's largest vehicle exporter. The top export destinations for passenger cars and LCVs were the UK, the US, Australia and Japan. The main export destinations for MHCVs and buses were South Africa's neighbouring countries in the Southern African Development Community region.

Vehicle exports from South Africa into Africa declined in 2014. Vehicle volumes to the top African export destinations for South African vehicles – Algeria and Nigeria – declined owing to regulatory changes in those countries. Nigeria, which is encouraging the development of its own vehicle assembly industry, has sharply increased import duties on new vehicles to facilitate this development. Meanwhile, policy changes have resulted in Algeria curtailing government support for the purchase of commercial vehicles.

Policy changes affect Toyota's 2014 exports

Toyota South Africa Motors (TSAM), which was South Africa's largest vehicle exporter in 2014, saw its exports for the year decline owing to policy changes in Algeria and Nigeria. The company reported in late 2014 that the Algerian government had shifted its support from entrepreneurs buying light commercial vehicles to housing – a move that resulted in the export of Durban-made Hilux pick-ups into the North African country declining substantially. Nigeria, meanwhile, doubled import tariffs on new vehicles to encourage local assembly. TSAM also noted that Angola had also increased its tariffs, but that this move only had a small impact on the company, as Angola was not yet a significant new-vehicle market in Africa.

Source: *Engineering News*

South Africa's automotive component exports were valued at R45.68-billion in 2014. The top export destinations for components were Germany, the US and the UK, illustrating that the main destinations for component exports continued to be developed markets. However, several emerging markets are starting to appear as export destinations. The South Africa Automotive Export Manual 2015, distributed by the Automotive Industry Export Council, contends that this indicates progress in the ability of South African component manufacturers to compete globally. By value, South Africa's largest component export were catalytic converters, at a total value of R19.5-billion, or 42.7%, of all parts exported for the year. This was followed by the export of engine parts (R3.7-billion), tyres (R2.2-billion), stitched leather seats and seat parts (R1.3-billion) and radiators and radiator parts (R1.2-billion).

Export sales of South African-made components by companies that are members of the National Association of Automotive Component and Allied Manufacturers

Presented by:

Powertech 



decreased by 30% from R8.4-billion in 2013 to R5.9-billion in 2014. The association contends that the decline may be the result of a lack of competitiveness of the local components manufacturers and the impact of the labour unrest on the attractiveness of sourcing from South Africa.

Imports

The total value of automotive imports into South Africa in 2014 – including vehicles and components – was R175.4-billion. This was up from R166.5-billion in 2013.

Total vehicle imports for the year were valued at R57.2-billion, marking a decline on the value recorded in the previous year. In terms of volume, vehicle imports also declined, from 377 994 units in 2013 to 353 338 units in 2014. The decline, in value and volume, was a consequence of the slowdown in the domestic market. KPMG has noted that the percentage of imported passenger cars in the mix of new cars sold in South Africa showed a year-on-year decline in 2014 for the first time since 1999. The company attributes the decline to steep price increases from importers, compared with local manufacturers, caused largely by the weak rand.

Imported vehicles originated from 31 countries in 2014. In terms of volume, India exported the most vehicles to South Africa; however, most of the vehicles imported from India were entry-level or small vehicles. The value of imports from India was less than half of the figure for vehicles imported from Germany in 2014, which included premium brands such as Audi, BMW, Mercedes-Benz and Porsche. India was in second position in terms of value, followed by Japan, and South Korea.

Component imports into South Africa were valued at R118.2-billion in 2014, including R70.2-billion worth of components imported for original equipment manufacturers (OEMs) and R48-billion worth of components imported as replacement parts. The



South Africa's vehicle exports exceeded the R100-billion mark in 2014

Picture by Duane Daws

top sources of components for OEMs in 2014 were Germany, Japan and Thailand, while the main sources of replacement parts were Germany, China and the US. The role of China as a source of automotive parts is becoming more significant, and the Automotive Industry Export Council (AIEC) explains that this indicates the cost competitiveness of China as an “increasingly dominant automotive force, not just in South Africa, but in the global automotive arena in general”.

Automotive trade balance

South Africa's automotive industry recorded a trade deficit of R59.7-billion in 2014. This was down on the deficit of R63.8-billion recorded in 2013. The AIEC attributes the industry's ongoing position as a net user of foreign exchange to the relatively low volumes of manufacturing taking place in the country; the industry's reliance on global design, technologically sophisticated plant and machinery; and the use of imported high-value components. The significantly expanded production of vehicles envisaged by the Automotive Production and Development Programme could shift the situation to some extent, as could efforts to improve the competitiveness of the industry.

Market share in the South African automotive industry (2014)

Year	Imports into SA (R-billion)	Exports from SA (R-billion)	Net forex usage (R-billion)
2013	166.5	102.7	(63.8)
2014	175.4	115.7	(59.7)
Vehicles	57.2	70.0	12.8
Automotive components	118.2	45.7	(72.5)

Source: Automotive Industry Export Council: South Africa Automotive Export Manual 2015
Including Botswana, Lesotho, Namibia and Swaziland country trade data

Presented by:

Powertech



Investment

Figures from the National Association of Automobile Manufacturers of South Africa (Naamsa) show that, in 2014, capital expenditure (capex) in South Africa's automotive industry amounted to a record R6.92-billion – this reflects data provided by the country's seven major vehicle manufacturers and various truck producers. Capex for the year was up on the R4.35-billion spent in 2013, and is expected to rise further in 2015, to R7.49-billion. Naamsa has explained that "relatively high levels in capex in recent, and particularly future years, may be attributed to investment projects by manufacturers in terms of the Automotive Production and Development Programme".

One of the major investors in the local automotive industry in recent years has been Mercedes-Benz South Africa (MBSA) and its parent Daimler, which have invested R5.4-billion to produce the new C-Class vehicle. The investment has increased the capacity of the company's plant, in East London, from about 50 000 C-Class units a year to about 100 000 units a year.

Toyota South Africa Motors (TSAM) has invested R1-billion in its plant to enable the production of the 2014 Corolla. The new model is the eleventh generation of this best-selling car. The investment included expenditure at the company's Durban, KwaZulu-Natal plant, as well as expenditure on the development of staff and investment in the company's parts supplier network to enable the manufacturing of the new Corolla in left- and right-hand-drive variants. The R1-billion investment was the second to be announced in the current phase of capital expansion at TSAM, which started in 2012 with the opening of a R363-million new parts distribution centre in Gauteng. The new round of investment follows an R8-billion programme, completed in 2008, in which TSAM increased its capacity to 220 000 units a year.

Volkswagen Group South Africa (VWSA) invested R5.4-billion in South Africa between 2006 and 2012,



Capital expenditure in South Africa's automotive industry amounted to a record R6.92-billion in 2014

Picture by Duane Daws

with the investment culminating in the April 2013 opening of a R500-million press shop at its Uitenhage production plant, in the Eastern Cape. The company is currently engaged in talks with its German parent company to secure local and export production of the new-generation Polo, which will be built on the new MQB-A0 platform.

Ford Motor Company of Southern Africa concluded up a R3.4-billion investment at its manufacturing and assembly plants in 2011 to enable it to produce and export the new Ranger pick-up vehicle. The company has noted that it is not definite that the South African plant will be receiving new assembly opportunities. Ford Motor Company (FMC) is being courted by several countries considering attracting vehicle assembly to their shores, and FMC executive chairperson Bill Ford noted in November 2014 that several other countries on the continent were "becoming interesting". The company is in talks with the Nigerian government about the content of its new automotive policy.

Presented by:

Powertech 



Investment expenditure in South Africa's automotive industry

Capital Expenditure	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 projection
Product/local/content/ export investment/ production facilities	5 058.1	2 458.7	2 807.7	2 215.9	3 351.1	3 522.7	3 837.2	3 604.9	6 091.6	6 979.9
Land and buildings	758.0	382.4	329.1	178.7	441.2	176.4	431.9	424.3	477.8	50.4
Support infrastructure (IT, research and development, technical, etc.)	398.8	254.4	153.1	74.1	202.4	203.6	409.2	319.3	347.0	456.8
Total	6 214.9	3 095.5	3 289.9	2 468.7	3 994.7	3 902.7	4 678.3	4 348.5	6 916.4	7 487.1

Source: National Association of Automobile Manufacturers of South Africa, Quarterly Review of Business Conditions, Q4 2014

BMW invested R2.2-billion in upgrading its local manufacturing facility to produce the 3 Series model, which started production in 2012. However, BMW South Africa has missed an opportunity to produce a second vehicle, in addition to the 3 Series.

Nissan South Africa is nearing the end of the production life cycle of its one-ton NP300 pick-up, and has experienced delays in the introduction of a new vehicle to replace the NP300. The company is in contention to produce the revived, lower-cost Datsun brand, but Datsun global head Vincent Cobee has noted that, while South Africa is the "logical choice" when it comes to the establishment of Datsun manufacturing operations targeting the African automotive market, the country will first need to significantly enhance its competitiveness, predictability and flexibility before the Japanese manufacturer will consider local capacity addition.

In the commercial vehicle sector, several recent investments have also been made.

Hyundai Automotive South Africa (HASA) has opened a semi-knocked down (SKD) assembly plant in Benoni, Gauteng. The company acquired the plant for R55-million from JSE-listed transport services company Imperial, as part of a R110-million investment by parent company Associated Motor Holdings (AMH) in its local commercial division. The rationale behind the investment is to expand Hyundai's share in the South African market, and is likely linked to the fact that fully built-up trucks imported to South Africa are subject to a 20% duty, while the SKD assembly of these vehicles has no duty. HASA CEO Alan Ross has noted, however, that local assembly increases costs, and that the plant

"serves more as a statement from Hyundai that it is committed to the South African market".

The HASA facility was officially opened in September 2014, although the assembly of vehicles at the plant started a few months earlier. In July 2014, the plant began the assembly of its first Hyundai HD72 four ton truck, with the aim being to assemble about 500 of these vehicles in 2015, depending on market demand. In February 2015, HASA assembled its first H100 light commercial vehicle at the Benoni plant. It expects to assemble about 3 000 of these vehicles in 2015, and is aiming to achieve full production capacity for the H100, of 350 units a month, by mid-2015. The H100 is assembled from components imported from South Korea. Most of the vehicles assembled at the HASA commercial vehicle plant will be distributed in the South African market, but the company is also investigating export options to countries in sub-Saharan Africa.

HASA has noted that the assembly of Hyundai passenger cars in South Africa is "not on the cards". AMH CEO Manny de Canha has noted that "passenger cars are becoming increasingly expensive and technologically advanced, making it difficult to manufacture these vehicles locally. South Africa is not internationally competitive when it comes to manufacturing passenger cars, especially not if you want to put up a plant today – considering the cost thereof and the payback period". AMH will, at most, work to source certain parts, such as batteries, rear-view mirrors and other components, which can be built locally.

Iveco SA Works has a new \$60-million truck and bus assembly plant, in Rosslyn, Pretoria, which was expected to be fully operational by June 2015. Of the

Presented by:

Powertech 



6 000 vehicles a year that will be assembled at the Rosslyn plant, about 20% will be exported and the rest sold locally. Iveco SA Works is a joint venture company formed specifically to establish the assembly plant and to bring Iveco holding company CNH Industrial's business to South Africa. Iveco holds 60% of the new company, with local public transport operator and bus manufacturer Larimar Group owning the balance. Through this facility, Iveco is targeting the supply of buses for the Tshwane bus rapid transit system. While the components to be used at the plant will initially be imported, over time, Iveco aims to source more components from local manufacturers. It is believed that there are already companies in the Rosslyn area that manufacture components that could potentially be used by Iveco.

First Automotive Works (FAW) reported in mid-2014 that the first commercial truck had rolled off the assembly line of its new R600-million assembly plant, in Coega, in the Eastern Cape. The plant, which is expected to produce 5 000 trucks a year, will supply FAW's entire range – comprising 14 models – of small to extra-heavy trucks. About 40% of the planned production will be supplied to the South African market, with the remaining 60% to be exported.

FAW has indicated that it intends pursuing new expansion plans, at its existing Johannesburg-based assembly facility and at Coega, and the company is aiming to establish a 35 000-vehicles-a-year passenger vehicle facility. Construction of this plant is set to start in 2015. Further, the company plans to commission a body-building facility adjoining its Coega plant, where tipper truck bodies, mixers and customised trailers will be built. The potential manufacture of a waste compactor vehicle is also being considered. The body-building facility will be offered to other commercial vehicle manufacturers. FAW also intends revamping its existing assembly facility in Isando, Gauteng, into a fully-fledged service centre accommodating the parts warehouse.

Hino SA, a subsidiary of TSAM, opened a new truck plant in May 2014. As a result of a R54-million investment, the Hino SA plant was relocated from the TSAM plant to a site adjacent to the TSAM plant. The relocation was the result of TSAM requiring additional space to produce the Corolla Quest sedan, as well as its taxi assembly line. TSAM president and CEO Dr Johan van Zyl noted that "The goal was to provide Hino with its

own, separate plant so that the company could follow its own production methods." Hino SA now makes subassemblies off-line, returning these to the line in a just-in-time manner.

Meanwhile, Tata Motors South Africa (TMSA) hopes to double the yearly output at its Rosslyn truck plant over the next two years. Current output is about 1 000 trucks a year on a single shift, and could be increased to 2 000 trucks on a single shift. The Tata truck plant opened in 2011, producing trucks of 3.5 gross vehicle mass and above.

The trucks produced by TMSA are distributed in South Africa by Tata Automobile Corporation, a subsidiary of Tata Africa. Currently, no trucks are exported from the facility, but TMSA has indicated that it would be interested in growing its numbers outside South Africa. CEO Ashish Sharma has indicated that he is "studying free-trade agreements and duty arrangements within Southern Africa, looking for the benefits of building trucks here and exporting them into Africa".

Investment is also taking place in the components sector.

For example, components manufacturers invested about R2-billion to facilitate MBSA's production of the new C-Class at its plant in the Eastern Cape. Ten new multinational components suppliers have established themselves in South Africa to enable the production of the vehicle, and about 800 new jobs were created in the MBSA value chain.

Sumitomo Rubber South Africa is undertaking a R1.1-billion investment at Dunlop's Ladysmith radial car and tyre factory, in KwaZulu-Natal. The company, which has noted that the R1.1-billion figure is "conservative" and will probably increase over time, is pursuing the goal of becoming Africa's number one tyre company within the next five years.

The investment is aimed at increasing capacity at the Ladysmith plant, as well as upgrading and aligning technology to enable it to meet Sumitomo's high global quality and safety standards.

It will also facilitate the production of additional tyre sizes, grow capacity and facilitate the introduction and growth of the Falken and Sumitomo Tire brands in Africa. Currently Dunlop is the main supplier of tyres for the



The demise of Australia's automotive industry

There are currently three vehicle manufacturers in Australia – General Motors (GM Holden), Ford and Toyota – as well as a number of component suppliers. However, all three vehicle manufacturers are expected to close their doors by 2018, costing Australia about 17 000 jobs, and another 30 000 to 40 000 in the supplier industry, as well as the A\$2-billion the industry contributes to the economy. About 75% of the supplier base is expected to disappear.

In 2008, the sector produced vehicles at a lower cost than the US. However, the demand for raw material in China resulted in resource-rich Australia's dollar increasing in value by 40% in a very short period. This, coupled with a rapid increase in energy and labour costs, resulted in vehicle production in Australia becoming 30% more expensive than the US.

In fact, vehicle production in Australia has become more expensive than Switzerland. However, Switzerland continues to do well as an automotive manufacturing hub, as companies in the country know how to manufacture in a high-cost environment. Australian companies, on the other hand, were established to operate in a low-cost environment, leading to a large number of manufacturing companies going out of business.

Another reason for the Australian assembly sector's demise has been the withdrawal of subsidies, with the Australian government indicating that it is unwilling to provide handouts to uncompetitive sectors. Head of the Advanced Manufacturing Council in Adelaide, Australia, and adviser to the Australian government on industrial policy, Professor Goran Roos, has noted that he suspects this position is driven by ideology rather than rational thought. He contends that a better solution would have been to still provide support, but with the expectation of something in return, such as improved supplier competitiveness.

Roos believes that two of the country's three vehicle manufacturers would have stayed if they had been able to renegotiate a minor change in the government support package, as vehicle manufacturers are, in general, not as concerned about the form of support they receive as long as it is "a good predictable package". However, government made it clear that it no longer wanted to host the assembly plants.

Another problem the Australian automotive industry has faced in recent years has been the rise of near, low-cost Asian production hubs such as Thailand. Thailand can produce a vehicle at \$3 000 less than Australia.

Labour costs in Australia have increased dramatically in recent years, compounding the demise of the automotive industry. Roos explains that, as global vehicle manufacturers tend to rotate CEOs, bringing them in from other countries on short-term contracts, they often work hard to prevent strikes and missing targets during their tenure by allowing larger than necessary wage and salary increases.

Source: *Engineering News*

new Chevrolet utility vehicle and will begin supplying tyres for new cars to Toyota and Volkswagen from 2016. The company expects to be producing at least 400 000 original equipment tyres for South African motor manufacturers in the near future.

Meanwhile, the Coega Development Corporation (CDC) is pursuing first- and second-tier suppliers in automotive manufacturing to set up shop at its Nelson Mandela Bay Logistics Park (NMBLP). Current tenants include automotive-focused companies such as Benteler Automotive, Faurecia Interior Systems, Grupo

Antolin, Inergy Automotive Systems, MSC, ITPASA and Hella Automotive South Africa, among others. Planned expansions by current automotive-focused tenants, including polymer business Rehau and engineering plastics producer Q-Plas, have driven interest by companies wishing to lease premises in 2016. The CDC has explained that the vision of the NMBLP is to obtain economies of scale for the automotive manufacturing industry through centralisation of different functions and suppliers to reduce costs by shortening and improving the supply chain to VWSA and other vehicle assemblers.

Presented by:

Powertech 



Competitiveness

The competitiveness of South Africa's automotive industry has been significantly boosted by the Automotive Production and Development Programme (APDP). Ford Motor Company of Southern Africa (FMCSA), for example, has noted that the incentives provided by the programme have made South Africa an attractive investment destination for the automotive industry. The APDP has enabled the company to become an important base for Ford, offering it a competitive advantage against rival vehicle manufacturers in Thailand and Brazil, among others.

Despite the benefits of the APDP, competitiveness remains a major challenge for automotive companies operating in South Africa. The National Association of Automotive Component and Allied Manufacturers (Naacam) president Mpueleng Poee contends that competitiveness is "the biggest challenge facing the South African automotive industry". Further he states that "[the lack of] competitiveness of the industry remains the key inhibitor to growth and is a growing concern, based on the shift towards vehicle manufacturing in low-cost countries". Poee's statements are true for the automotive assembly and components sectors.

Competitiveness concerns are evident in company assessments of future investments in South Africa. For example, Datsun global head Vincent Cobee has described South Africa as the "logical choice" when it comes to the establishment of vehicle manufacturing operations that target the African automotive market, but has cautioned that the country will first need to significantly overhaul its level of competitiveness.

Particular challenges to the industry's competitiveness are South Africa's precarious electricity supply situation and the threat of labour action disrupting vehicle production. These factors are considered critical for many automotive companies. For example, General Motors (GM), one of the world's largest carmakers, has a list of requirements to operate successfully in any country, including stable electricity supply. Mercedes-Benz

South Africa (MBSA), meanwhile, has labelled labour instability as the biggest challenge it faces in its production of the C-Class vehicle in South Africa.

Another major challenge to competitiveness in South Africa relates to the difficulties automotive companies face in achieving economies of scale.

Electricity

The National Association of Automobile Manufacturers of South Africa (Naamsa), in its latest review of business conditions, notes that the "key imponderable" regarding the outlook for the automotive industry relates to the "security and stability of electricity supply".

For several years, South Africa has been experiencing electricity supply shortages owing to insufficient electricity generation capacity, with these becoming particularly significant in early 2015. Companies in the automotive industry have been affected by these shortages to varying degrees.

FMCSA has reported that it has not had "significant issues" with power supply at its vehicle manufacturing plant in Gauteng, but that it has experienced significant power outages at its engine plant in the Eastern Cape. In November 2014, the company noted that its Struandale engine plant had experienced 90 power outages over the past 12 months. The company has explained that the engine plant is essentially a machining operation using high-speed equipment that requires a specific shutdown process. If this shutdown process is not followed, and the power goes out, even for five or ten minutes, the plant loses hours as technicians have to repair the equipment affected by the outage.

BMW South Africa (SA) noted in February 2015 that, while it had not been affected by power cuts, some of its components suppliers had been subject to load-shedding. To mitigate the possible effects of future load-shedding, BMW has pursued a project

Presented by:

Powertech 



Competitiveness in the components sector

A country benchmarking study, conducted by B&M Analysts, has shown South Africa's automotive component manufacturers "to be somewhere in the middle". B&M chairperson Justin Barnes notes, however, that while South Africa is not where it needs to be, the picture for the country is not nearly as bleak as in Australia, where the automotive industry is set to close down by 2018.

The past 20 years have forced major restructuring in the South African components sector, leading to "substantial industrial upgrading", and average vehicle output in the automotive industry has increased from 9.7 vehicles per employee in 1995 to 16.9 in 2012.

However, Barnes contends that the industry is not up to international standards, as these standards always reset, continuously inching upwards.

Comparing component firms from South Africa, the UK and Thailand, the benchmarking study found that South African firms are 9% more expensive than Thailand, and the UK 12% more expensive than Thailand. While being more competitive than the UK is good news, "the UK is not our competitor, the East is," says Barnes.

The study found that South Africa's employment costs, as a percentage of sales, are the highest of the three countries. Employment costs do not only refer to weekly wage earners, but also include management costs, which, in South Africa, have spiralled out of control. South Africa's operational waste as a percentage of sales is also the highest of the three countries. This number includes the waste costs associated with inventory control, quality management, production flexibility, production reliability and absenteeism. Overall, South Africa has the weakest productivity profile when compared with developed and less developed countries, with South Africa's productivity remaining flat relative to costs.

Barnes contends that there are four areas that require attention for South Africa's automotive industry to improve its competitiveness: firms have to become leaner; upgrade the technology they use; and focus on skills development. The fourth area is to increase localisation of parts in the vehicles assembled in South Africa, which currently stands at an average of 40% a vehicle, but which must be closer to 60%, says Barnes.

"We need to clear away the challenges to increasing local content," says Barnes. These challenges include a lack of scale in the local automotive industry, in terms of sales and production. Yearly, new vehicle sales and production must reach between 1-million and 1.2-million units, says Barnes. "International investments will not flow if we are not a market of reasonable size. We really have to take this seriously."

Component makers will also enjoy the benefits of economies of scale from vehicle assembly plants that produce 250 000 vehicles a year, with no plant in South Africa currently of this scale. Scale could come from a growing middle class in sub-Saharan Africa, should the importation of second-hand vehicles be curbed, and the regulatory framework between countries be better aligned.

Source: *Engineering News*

to ensure that, by mid-2015, between 25% and 30% of its Rosslyn facility's energy requirements will be generated from renewable sources, owing to a power purchase agreement with independent energy company Bio2Watt.

The offtake partnership will bring renewable energy, generated from biogas, to the BMW plant. MBSA has been working proactively to counter the effect of

load-shedding at its East London plant, in the Eastern Cape. CEO and executive director for manufacturing Arno van der Merwe notes: "We try and help during peak periods so that we do not become subject to power cuts. We are working on reducing our electricity demand by 20%. It is a work in progress." The effects of an uncontrolled shutdown on the highly automated production plant with about 600 robots are extensive and costly. The plant takes hours to recover, and the

Presented by:

Powertech 



shutdown costs the company hundreds of thousands of rands. Van der Merwe states, "Constant and reliable energy supply is mission critical."

Labour

Companies active in South Africa's automotive industry contend that, while the country's electricity shortages represent an obstacle to production, a far more significant challenge relates to the country's labour force.

This observation follows two years in which the automotive industry experienced several major disruptions owing to labour action. During that time, up to 13 weeks of vehicle production were lost owing to strikes, including at assembly plants, component manufacturers and in related sectors, such as metals and engineering and logistics.

Companies have decried the impact of labour action on their operations. Toyota South Africa Motor's Dr Johan van Zyl, for example, has said, "There is no way we can do that again. That was an incredibly bad period." MBSA has said that another major strike in the industry "will have a more critical impact than what most people will even be able to contemplate – it is a very serious matter".

Naamsa has noted that the disruptions to production caused by labour action have "severely dented the industry's reputation and track record as a reliable supplier to international markets". Vehicle manufacturers will take South Africa's labour situation into account when considering possible additional production opportunities in the country.

The industry is set to embark on new wage negotiations in 2016, when the current three-year wage deal comes to an end. However, by early 2015, Naamsa was already involved in talks with the unions on how to approach the 2016 negotiations in a more productive manner.

The wages in the local automotive industry are "significantly" higher than in other competing developing countries. However, it is expected that the 2016 wage settlement is unlikely to be at a level lower than the 8% to 10% a year increases agreed to in the 2013 wage deals in the retail, components and assembly sectors. Nissan South Africa president Mike Whitfield, for example, says that the sociopolitical

imperative in South Africa to "close the wage gap" will probably result in future wage increases continuing to "run ahead of inflation".

Motor companies have expressed concern that the high wage increases in the South African automotive industry do not necessarily lead to increased productivity.

South Africa's labour costs are high relative to other vehicle manufacturing countries. This means that, if wage increases are not accompanied by productivity increases, high labour costs impact negatively on the country's competitiveness.

Another labour-related challenge affecting the competitiveness of South Africa's automotive industry is the shortage of appropriately skilled people at local assembly plants and suppliers. BMW SA has identified this as one of the three major challenges it faces in the production of vehicles in South Africa.

Several automotive companies are involved in efforts to ensure that the required skills are available to them. MBSA, for example, has announced, that, through the National Treasury's Jobs Fund, R130-million will be spent on building a learning academy in East London. The cofunded facility will address the MBSA plant's technical needs, as well as that of the region, by training electricians, fitters and mechanics, among other skills sets. The academy is expected to open towards the end of 2015.

Logistics

Another important aspect of competitiveness relates to logistics. Volkswagen Group South Africa MD David Powels noted in early 2015 that the South African supply chain, including participants such as port and rail authorities and logistics service providers, would do well to improve its efficiencies.

The shift of automotive cargo from road to rail has been identified as having the potential to boost logistical efficiencies, and State-owned logistics company Transnet has reported an increase in the number of vehicles being moved by rail.

Meanwhile, concerns exist regarding the country's ports, with the car terminals at various ports operating at almost full capacity. Further, shifts in export destinations can have an implication for port logistics. For example,



MBSA exported the previous model C-Class to a single destination – the US; however, the current model is being exported to more than 60 destinations.

As a result, more shipping lines are now visiting the East London port than in the past. The port has also introduced the containerisation of cars, with a few of MBSA's new export markets requiring that cars be shipped in containers.

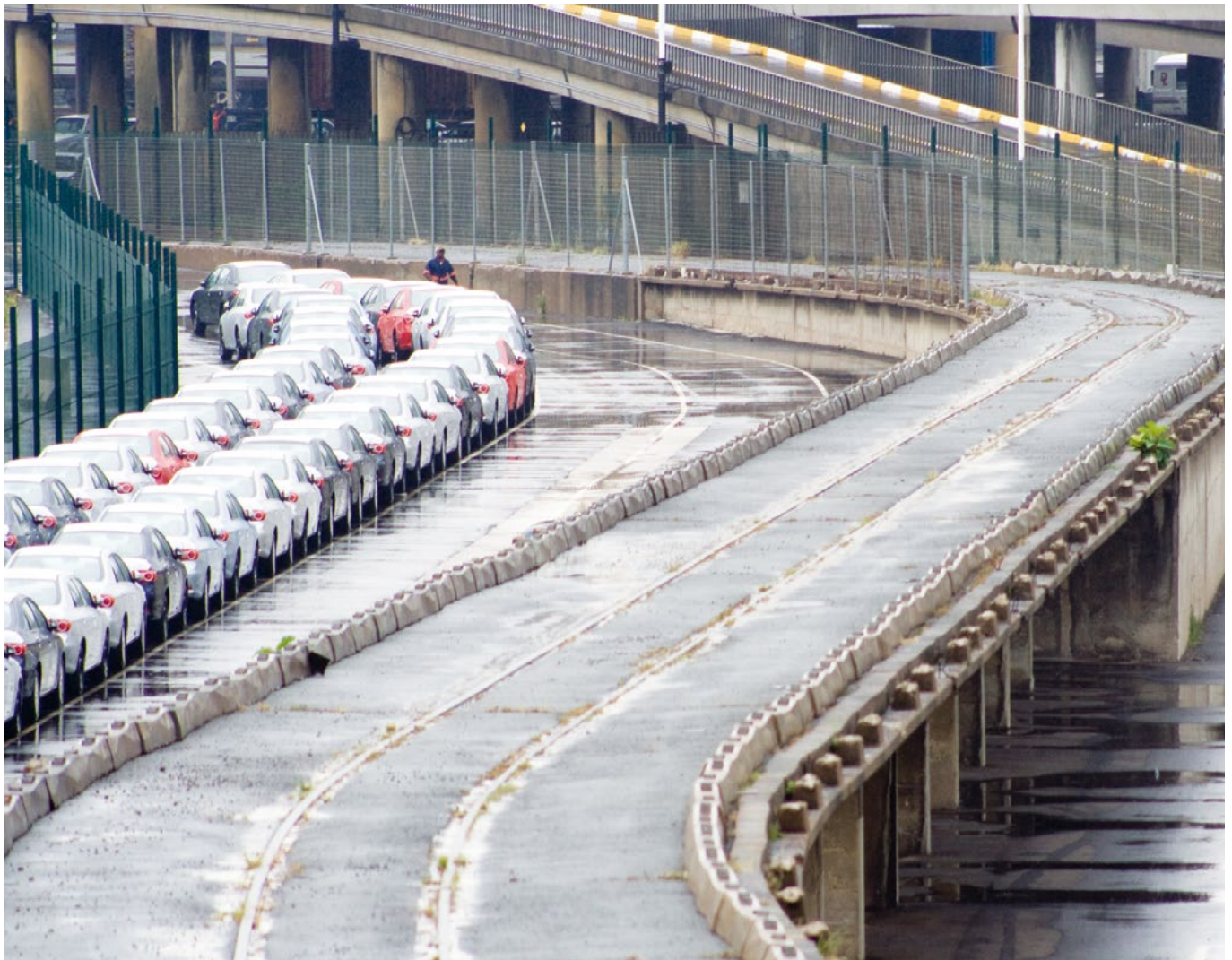
Transnet Port Terminals invested about R200 000 to facilitate the containerisation of cars, and believes that containerisation will ensure faster turnaround times at the port. The containerisation project, in place since December 2014, is set to increase automotive

volumes at the port by 22 000 units a year, while also growing twenty-foot equivalent unit container traffic by 14 600 units a year.

While the East London terminal currently provides sufficient capacity for MBSA's vehicle export operations, a significant increase in export volumes would require the capacity of the terminal to be revisited.

South Africa's natural advantage

Naacam president Mpueleng Poee contends that the fate of South Africa's automotive industry lies in understanding the competitiveness challenge facing the country.



Car terminals at various ports in South Africa's are operating at almost full capacity

Picture by Duane Daws

Presented by:

Powertech 



New incubation centre under construction

In March 2015, the Automotive Industry Development Centre (AIDC) launched construction of its new R80-million incubation centre, located at Nissan South Africa's manufacturing facility in Rosslyn, Gauteng. The facility, which will be the AIDC's second incubation centre, is intended to reduce the barriers to entry for entrepreneurs in the automotive industry.

The first AIDC incubation centre is located at the Ford Motor Company of Southern Africa's (FMCSA's) manufacturing facility in Silverton, Gauteng. A number of parts for FMCSA's Ranger model are manufactured at the incubation centre, including the drop-in liner, a number of metal components, a bumper series, the air conditioning unit and the grill.

Source: *Engineering News*

Towards providing such an understanding, Naamsa president and Toyota South Africa CEO Dr Johan van Zyl has noted that while South Africa's automotive industry does have several strengths, the country's natural advantage does not lie in the design and development of new vehicles, nor does it lie in manufacturing, logistics, the selling of vehicles, or in providing aftersales service.

Instead, he maintains, the only real competitive advantage the local automotive industry has over international competitors is the availability of natural resources in the country. Thus, "the beneficiation of our mineral resources is key". Van Zyl notes that South Africa uses its lead resources optimally in the production of car batteries, for example. However, it does not use iron-ore, locally produced resin, or copper – from South Africa or Zambia – in the same manner.

Van Zyl says the steel used in a locally produced vehicle amounts to about 830 kg on average, with another 235 kg of aluminium, 28 kg of copper and 68 kg of resin used. The current local content on vehicles produced in South Africa is about 40%, or 290 kg of steel, 96 kg of aluminium, 16 kg of copper and 3 kg of resin, with the rest imported. Should imports be reduced by 10%, an additional 103 000 t/y of resources will be beneficiated in South Africa, saving the country R2.5-billion a year, says Van Zyl.

However, to achieve this, it is necessary to sell and build more cars locally, and to invest in, and develop the skills and technology base needed to increase the local parts content of vehicles built in South Africa.

Emerging competitors

While South Africa is facing major challenges to its competitiveness, many other African countries are increasingly welcoming investors.

GM Africa president Mario Spangenberg, for example, has noted that these countries are working hard to become more investor friendly, and South Africa has to take note.

Nigeria is the first African country outside South Africa to produce a local vehicle manufacturing plan, and Nissan has become the first major manufacturer to build a car in that country following the announcement of the Nigeria Automotive Policy.

Ford Motor Company is also mulling vehicle assembly in Nigeria, and is engaging in talks with the Nigerian government about the content of its policy. Toyota has indicated that it will study the economic merits of producing vehicles in Nigeria.

Nissan and Ford believe that a complementary relationship could exist between South African and Nigerian automotive plants. Nissan has shown this in practice, with the company's South African plant providing its Nigerian plant with kits to produce the NP300 pick-up vehicle.

Ford, meanwhile, has noted that manufacturing facilities elsewhere in Africa could enable South African components companies to export their products into Africa.

Presented by:

Powertech 



Environmental considerations

Environmental considerations are playing an increasing role in shaping the development of the global automotive industry.

Locally, environmental considerations are making themselves evident in efforts to enhance the energy efficiency of the automotive manufacturing process. Further, automotive manufacturers are keen to introduce lower-emission vehicles to the local market, although this effort is being hampered by the quality of South African fuel. Meanwhile, two car manufacturers have introduced electric vehicles to the South African market.

Energy efficient manufacturing

To reduce the environmental impact of vehicle manufacturing, as well as mitigate the risk posed by South Africa's unstable electricity supply and enhance their competitiveness, several participants in South Africa's automotive industry are reducing their energy consumption. Some companies are also aiming to achieve International Organisation for Standardisation (ISO) accreditation for their energy management, through the ISO 50001 standard, which has been adopted by South Africa as the national standard for establishing, implementing, maintaining and improving an energy management system.

Support is available to companies in these efforts through the National Cleaner Production Centre of South Africa (NCPC-SA), which has identified the automotive industry as having substantial potential for energy-use reductions.

Toyota South Africa Motors (TSAM) introduced a dedicated environmental engineering department in April 2010, to manage energy efficiency projects at its manufacturing plant in Durban. Working together with the NCPC-SA, through its Industrial Energy Efficiency programme, the company has shown a year-on-year decrease in energy consumption while achieving a

year-on-year increase in vehicle production. In early 2015, TSAM won its second consecutive Energy Company of the Year award, presented by the Southern Africa Association for Energy Efficiency, for its efforts in energy efficiency. TSAM also won a platinum award in the Toyota Global ECO Award for being the assembly plant with the best performance in reducing carbon dioxide (CO₂) emissions.

BMW South Africa has reported that, as a result of clean production initiatives, it has saved more than R60-million in energy overheads in the past five years at its Rosslyn plant and its Midrand head office, in Gauteng.

The company expects to make further strides in the area of sustainability, with the mid-2015 introduction of a renewable power project that is expected to ensure that between 25% and 40% of the power required by the Rosslyn plant will be generated from renewable sources. In this regard, the company has signed a power purchase agreement with independent energy company Bio2Watt.

When the project comes on stream, it will be the first commercially viable biogas-electricity project in South Africa. Power will be supplied from the 4.4 MW installed capacity Bronkhorstspuit biogas plant, located on the premises of one of South Africa's largest feedlots, Beefcor. Beefcor provides the energy project with key fuel supplies and grid access, as well as sufficient water by means of its stormwater collection dams.

Volkswagen Group South Africa (VWSA) has, since 2010, reduced its total yearly energy consumption by 31% and the energy use a vehicle produced has fallen by 23%. The company has reduced its CO₂ emissions by 19%, and other environmental initiatives have resulted in a 52% improvement in waste, a 41% reduction in water use and a 22% improvement in solvent emissions. In December 2014, VWSA announced that it had achieved the ISO 50001 certification for its energy management systems.

Presented by:

Powertech 



VWSA launches project to reduce hazardous waste from paint shop

In mid-2014, Volkswagen Group South Africa (VWSA) announced the launch of a project that reduces hazardous waste at the group's Eastern Cape assembly plant by improving painting efficiency levels.

The project has replaced the painting technique used at the plant with a 100% electrostatic process, called the Bell Bell process.

As a result of the project, paint use has been reduced by as much as 50% at the robot station. Less compressed air is also used, which results in increased energy efficiency. With the Bell Bell painting process, the application is a lot softer; therefore, overspraying is lessened, which results in fewer chemicals in the washout area. This, in turn, has lowered volatile organic compound emissions at the plant.

Source: *Engineering News*

There are also companies in the local automotive components sector that have achieved substantial energy savings. Tenneco Automotive is an international automotive components company, with production facilities in South Africa. In May 2014, the company's local plants – Tenneco Ride Performance, which produces shock absorbers, and Tenneco Clean Air, which produces catalytic converters and exhaust assemblies – became the first automotive facilities in South Africa to achieve ISO 50001 certification. For an investment of R3.1-million, Tenneco was able to achieve energy savings of 2.5-million kilowatt-hours and reduce its greenhouse gas emissions by 2 428 t.

Cleaner fuels

Several automotive companies active in South Africa have expressed an interest in introducing vehicles that are more environment-friendly and fuel efficient. However, they are being impeded in this effort by the quality of the fuel available in the country.

South Africa's fuel refineries currently comply with Clean Fuels (CF) 1 specifications, which are equivalent to Euro2 emissions standards. CF2 specifications, equivalent to Euro5 standards, were initially intended to come into effect in 2017. However, in early 2014, the

South African Petroleum Industry Association (Sapia) confirmed that government had communicated a delay to the July 1, 2017, compliance date. Details of a new deadline have not yet been made known, although some reports have suggested a shift to 2020. The delay is a result of a failure to finalise a cost-recovery mechanism for the fuel refiners, with the country's six refiners having requested "full estimated capital expenditure cost recovery". Sapia has emphasised that it did not request the delay, but has acknowledged that some of its members had informed the Department of Energy of their inability to meet the 2017 deadline.

Automotive manufacturers have expressed frustration with the delay, as they require cleaner fuels than those being produced under the CF1 standards if they are to market high-technology, highly fuel-efficient and low-emission vehicles in South Africa. Currently, South African car companies are unable to sell some of the world's most modern cars, as local fuels will damage the engines of these vehicles. When automotive companies do import sophisticated engines, they have to be "reverse-engineered" to use the fuel available in South Africa, thereby mitigating the environmental benefits that these vehicles offer.

Daimler Trucks and Buses South Africa (DTBSA), a subsidiary of Mercedes-Benz South Africa, noted in mid-2014 that it was "strongly opposed" to the delayed introduction of cleaner fuels in the country. The delay means the DTBSA remains unable to bring new technology trucks into the South African market. These products could offer low life-cycle costs and improved safety features, while also using less fuel. Even once South Africa brings the CF2 specifications into effect, the country will remain behind European Union standards, with Europe preparing to upgrade to Euro6 emissions standards by 2017.

Fully electric vehicles

Hybrid vehicles, which usually use an internal combustion engine and an electric motor, have been available in South Africa since Toyota introduced the Prius to the local market in 2005, and several other car companies now also offer hybrid models.

Fully electric vehicles have been available in the South African market since 2013. The Nissan Leaf was the first fully electric vehicle to enter the local market, becoming available in November 2013. It entered the local market

Presented by:

Powertech 



at a selling price of R446 000. The second fully electric vehicle to enter the South African market was the BMW i3, which became available to consumers in early 2015. The i3 BEV entered the market at a selling price of R525 000, while the derivative with a range extender, the i3 Rex, entered the market at R595 000. Moving from zero to 100 km/h takes 7.2 seconds in the i3, with the top speed capped at 150 km/h in the interests of efficiency.

The BEV has a range of 160 km, and the Rex a range of 300 km. Standard charging of the i3 can take up to eight hours, while an alternating current fast charge can 'fill' the battery in three hours. A direct current rapid charge can do the same in about 30 minutes. BMW also offers a second model in the 'i' stable – the high-performance BMW i8, the first plug-in hybrid from the group, which entered the South African market at a selling price of R1.76-million.

In May 2015, BMW SA and Nissan SA signed a memorandum of agreement that will result in the two companies jointly planning and building a national grid of electric and plug-in hybrid vehicle charging stations for use by Nissan and BMW vehicles. There is no specific rand-value attached to the agreement. The combined infrastructure network will probably cover the major cities, and the agreement will result in the parties working with entities, such as local government and property developers, to ensure a sufficient number of charging stations.

The agreement will result in BMW SA and Nissan SA rolling out direct current fast-charging stations that are equipped with the Combined Charging System 2 used by BMW's electric and plug-in hybrid models, and the Charge de Move system plug standards used by Nissan's 100% electric Leaf vehicle. The national grid of charging stations will also use smaller alternating current type vehicle chargers in certain regions. In terms of the agreement, these chargers will be equipped with type-2 sockets that allow the connection of all electric and plug-in hybrid vehicles. The planning and building of a national electric vehicle charging infrastructure will be managed by a joint task team, comprising executives from both manufacturers. The agreement will be in effect until 2017.

It was previously expected that Volkswagen would introduce an electric golf to the South African market in 2015; however, VW SA has since indicated that this is

no longer the case. The company is, instead, likely to introduce a hybrid Golf to the market. MD David Powels has stated, "We are still not convinced that South Africa is ready for electric vehicles. We have them in the group, but we are not convinced that society is ready, that the business case is ready, and that the enabling infrastructure is there". Other concerns relating to the roll-out of electric vehicles in South Africa relate to the long distances typically travelled in the country, and the problem regarding stable power supply. Further, the price of electric vehicles is prohibitive for many consumers.

Despite these challenges, the South African government has shown an interest in electric vehicles. In February 2013, the Department of Environmental Affairs launched a Zero Emission Electric Vehicle Pilot Programme, to demonstrate the viability of operating such vehicles in the local market. Further, the technology innovation agency is engaged in accelerating the development of commercially viable local electric and hybrid vehicle infrastructure. Government has also drafted an Electric Vehicle Industry Roadmap, which is expected to be presented to Cabinet for approval before the end of 2015.

The roadmap is expected to provide a legislative framework to safely manufacture and operate electric vehicles, although it has been noted that the local manufacture of such vehicles is unlikely to take place in the short term. A previous attempt at building a locally designed electric vehicle, the Joule, failed after the company involved, Optimal Energy, was unable to secure the estimated R7-billion in funding required to develop and industrialise the vehicle.

1 000 platinum-powered Hyundais in UK in 2015

Anglo American Platinum indicated in May 2015 that fuel cell electric vehicles would allow platinum mining to build its future in a truly sustainable way on the back of zero exhaust emissions and the use of the world's endless supply of hydrogen as a fuel source. This was said against the background of Korean automotive manufacturer Hyundai targeting the production of 1 000 ix35 fuel cell vehicles in the UK by the end of 2015 and other car companies like Toyota and Honda also having launch plans.

Source: *Engineering News*

Presented by:

Powertech 



Major car manufacturers in South Africa

BMW South Africa

BMW South Africa (SA), a subsidiary of German automaker BMW, operates a production facility in Rosslyn, Gauteng, where it produces BMW 3 Series vehicles for the local and export market. The plant, which entered production in 1973, was BMW's first production facility outside Germany, and now forms part of BMW's global production network that spans 30 sites in 14 countries.

In 2014, the BMW SA plant produced 68 771 BMW 3-Series vehicles, and in March 2015 the plant celebrated the production of its one-millionth 3-Series vehicle. BMW SA exported 60 234 vehicles in 2014, which were delivered to countries including China, the US, South Korea, Australia, Japan and Canada. This was a record number of exports for the company, and a 17% increase on the number of vehicles it exported in 2013. The company expects its 2015 production to be linked to demand in its export markets, and it expects local sales of BMW vehicles to remain stable for the year.

BMW SA MD Tim Abbott has indicated that it faces three major challenges operating in South Africa – energy shortages, labour disruptions and skills shortages.

With regard to energy, Abbot has noted that, while the Rosslyn plant has not been affected by power cuts, some of the company's suppliers have been subject to load-shedding, which ultimately has the potential to impact on BMW SA's production. The company has sought to mitigate the effect of power shortages on its operations, and to reduce the impact of its plant on the environment, by implementing a project that will result in between 25% and 30% of the Rosslyn facility's energy requirements being generated from renewable sources by mid-2015.

With regard to labour disruptions, BMW SA recorded 13 000 vehicles in lost production during the strike

action that affected the automotive industry in 2013. In late 2013, the company reported that it had missed out on an opportunity to possibly produce a second model at its Rosslyn plant, owing to the labour turmoil. It has warned that labour instability poses a threat to South Africa's international reputation.

With regard to skills, BMW SA has noted that it experiences a shortage of appropriately skilled people at its local plant. It has also indicated that skills shortages are affecting several of its suppliers. BMW SA directly and indirectly employs more than 43 000 people – 3 737 employees at the plant and at the national sales organisation, 3 780 dealer staff and more than 36 000 first-tier supplier employees.

Ford Motor Company of Southern Africa

Ford Motor Company of Southern Africa (FMCSA), which is a wholly owned subsidiary of US-based Ford Motor Company, operates two manufacturing plants in South Africa – a vehicle plant in Silverton, Gauteng, and an engine plant in Struandale, in the Eastern Cape. Ford has a market share of about 13% in South Africa.

In 2014, FMCSA produced 76 373 vehicles at its Silverton plant, with one of the key vehicles produced by the plant being the Ford Ranger vehicle. The Ford Ranger was the fourth-highest selling vehicle in South Africa in 2014, with 28 723 units being sold in the year. The vehicle is also extremely popular in international markets. About two-thirds of FMCSA's production is exported, to about 150 countries.

The capacity of Ford's Silverton plant has doubled over the past three years, with this growth facilitated by a substantial investment in the company's manufacturing and assembly operations. It is feasible for the firm to double its capacity again over the next three years. However, this would require that the challenges facing

Presented by:

Powertech 



the company in South Africa – such as power shortages, labour instability, and the absence of affordable, efficient logistics – be resolved. It has been reported that Ford is mulling vehicle assembly in Nigeria. However, the company has noted that it would like to see the Silverton plant operating at capacity before any new capacity is installed elsewhere on the continent.

Ford's engine plant celebrated the production of its three-millionth engine in mid-2014. The facility, which was established in 1964 and which employs about 600 people, received a major boost in 2010 when it was awarded the export contract to manufacture machine components and assemble high-tech Duratorq TDCi engines for the Ford Ranger, making it the only facility in the world to manufacture machine components and assemble engines for the global Ranger fleet. The contract resulted in FMCSA receiving crucial investment to expand the yearly capacity of machined components at the plant to 220 000 component kits, comprising the cylinder head, block and crankshaft. About 75 000 of these are used for assembly of the advanced 2.2 ℓ four-cylinder and 3.2 ℓ five-cylinder engines, which are later shipped to Pretoria for installation in the Ranger. The balance of the component kits are exported to Ford engine assembly plants in Argentina and Thailand. The facility has also started producing 3.2 ℓ five-cylinder diesel engines for the North American market.

Until recently, FMCSA also distributed Mazda vehicles. However, as of October 2014, Mazda has been distributed through Mazda Southern Africa. This followed an announcement by Ford in 2013 that it would return the Southern African distribution rights to the Mazda Motor Corporation. FMCSA will continue to assemble the Mazda BT-50 pick-up at its Silverton plant. However, this will not necessarily be the case for Mazda's next generation pick-up. South Africa could, however, be considered as a future Mazda assembly destination.

General Motors South Africa

General Motors South Africa (GMSA) is a wholly owned subsidiary of global vehicle manufacturer General Motors. GMSA has two manufacturing plants in Port Elizabeth, in the Eastern Cape – one in Kempston Road and the other in Struandale – where it produces Chevrolet Spark, Chevrolet Utility and Isuzu KB vehicles.

The company exports the Isuzu KB into Africa, but has noted that it needs to increase its African exports

if it is to improve its production numbers. The vehicle is performing well in Ghana, Angola, Zimbabwe and Zambia, but Nigeria's increase in import duties on new vehicles has caused some concern regarding exports into that country.

GMSA's production falls short of the 50 000-unit-a-year threshold prescribed by the Automotive Production and Development Programme, but the company contends that it remains compliant with the programme, owing to the leniency offered in 2014 in light of the significant labour action experienced by the automotive industry in that year.

GMSA has undertaken substantial investment expenditure in South Africa in recent years. Between 2004 and 2007, the company invested R2.6-billion. Smaller amounts – R200-million and R160-million respectively – were invested in 2008 and 2009, and between 2010 and 2012, a further R1-billion was invested.

In addition to selling the Chevrolet and Isuzu brands, GMSA also sells Opel vehicles, and the company is expecting its Opel sales to double in 2015. In late 2014, GMSA introduced the Adam small city car to the market, and followed this in early 2015 with a new Corsa and the Mokka small SUV. GM Africa is headquartered at GMSA's Port Elizabeth facilities, and serves Africa, Iraq and Israel.

Mercedes-Benz South Africa

The local arm of the German Daimler Group, Mercedes-Benz South Africa (MBSA), produces the Mercedes C-Class for the local market, as well as more than 60 export markets, while also assembling trucks and buses for the South African market. The MBSA plant is one of four plants globally to produce the new C-Class, with the others being in the US, China and Germany.

The South African plant is the only supplier of right-hand-drive models for the global market, but it also produces several left-hand-drive models.

MBSA's East London plant operates on a five-day three-shift (24-hour) basis, and has the capacity to produce about 100 000 vehicles a year. In 2014, the plant produced 46 800 C-Class units, of which 33 688 units were exported, as the plant ramped up production of the latest C-Class model, while truck assembly reached 6 300 units.

Presented by:

Powertech 



To facilitate the production of the new C-Class, MBSA invested about R5.4-billion expanding its capacity from a previous level of about 50 000 units. Production of the new vehicle resulted in the introduction of several new technologies, including complex laser welding, pressing of aluminium panels, natural fibre pressing and roll forming. The new C-Class features aluminium-to-steel joints, and the vehicle has 50% aluminium in its body structures, which makes it 100 kg lighter than the previous model.

In addition to the investment undertaken by MBSA for the new C-Class, components manufacturers invested an additional R2-billion, with ten new multinational component manufacturers having established facilities in South Africa to enable production of the vehicle.

It is anticipated that between 80% and 85% of the production of new C-Class vehicles in South Africa will be exported. The previous generation C-Class was only exported to the US; however, with the US now being one of the sites of C-Class production, the South African plant will no longer be exporting there. Rather, the local plant will export to a wide range of other markets around the world.

MBSA has noted that the greatest challenge it faces in operating in South Africa is labour instability, with the company's CEO and executive director for manufacturing Arno van der Merwe stating that it is vital for South Africa to have "more structured and organised" wage negotiating forums in place. Another challenge the company faces regarding labour is skills shortages. To address this difficulty, MBSA, together with the National Treasury, is building a learning academy in East London. The facility will address the company's technical needs, and will also provide skills for the region generally, training electricians, fitters and mechanics, among others. The academy is scheduled to open towards the end of 2015. MBSA has also reported spending about R60-million on skills training to enable production of the new C-Class.

MBSA sold 28 370 Mercedes-Benz cars in South Africa in 2014, up 25.3% on 2013 numbers, taking pole position in the domestic premium luxury car market, with the jump largely driven by product offerings in the compact car range. The Mercedes-Benz E-Class was crowned the best-quality passenger car in South Africa in late 2014, followed by the C-Class Coupé and the C-Class petrol model. The title was awarded by research house

Ipsos, based on telephonic interviews conducted with new-vehicle buyers after three months of ownership. MBSA was also crowned as the best local passenger car plant.

New products to enter the MBSA stable in 2015 include the S500 plug-in hybrid, the AMG GT, the C63 AMG, the V-Class, the new Vito and the Mercedes-Maybach S500.

Nissan South Africa

Nissan South Africa (SA), the local arm of Japan-based Nissan, has a manufacturing facility based in Rosslyn, Gauteng. The plant currently produces the NP200 half-ton pick-up and the NP300 Hardbody one-tonner. The plant also previously produced the Renault Sandero, owing to the global alliance between Nissan and Renault, but production of this vehicle in South Africa has ceased, as the updated Sandero model no longer shares a platform with the NP200. Nissan SA has the capacity to produce about 100 000 vehicles a year, but is operating at about half of its capacity.

Local production of a new pick-up, to replace the assembly of the NP300, was expected to start in early 2015, but has been deferred, according to Nissan SA MD Mike Whitfield. The company has suffered several delays to the global introduction of the new model, set to replace the Hardbody and Navara.

Nissan SA remains a possible production location for Nissan's revived, lower-cost Datsun brand. However, the company will first seek to re-establish the Datsun brand in South Africa, and will then consider local assembly. The other brand sold by Nissan in South Africa is Infiniti – a premium vehicle badge.

Meanwhile, Nissan SA is shipping semi-knocked-down kits of the NP300 to Nigeria for assembly at Nissan's new plant there.

Since mid-2014, Nissan SA has distributed Nissan vehicles in several African countries where the vehicles were previously distributed by independent operators. The company was already responsible for distribution in South Africa, Namibia, Botswana, Lesotho and Swaziland, and has since assumed responsibility in Kenya, Malawi, Tanzania, Zambia and Zimbabwe. Nissan SA contends that several synergies and gains are possible with the addition of the new markets to the



Nissan SA fold, such as optimising logistics pipelines and parts inventory.

In March 2015, the Automotive Industry Development Centre launched construction of its new R80-million component manufacturing incubation centre, located at Nissan's Rosslyn plant. The centre, which is the second such facility in South Africa, is aimed at supporting the development of a globally competitive automotive manufacturing hub. The incubation process involves three phases. In the first phase, the AIDC follows a "parenting" strategy, where the components companies involved observe and learn. The second-phase involves "hand-holding", where monitoring and coaching are implemented. In phase three, the companies start to operate independently. The centre is not used exclusively by Nissan, with other manufacturers in the area also able to use it; nevertheless, the facility is expected to support Nissan's production of a new one-ton pick-up.

Toyota South Africa Motors

Toyota South Africa Motors (TSAM), a wholly owned subsidiary of the Toyota Motor Group, is a market leader in the South African automotive industry in terms of quantity and quality. In 2014, for the thirty-fifth year running, TSAM held the largest market share of the local market – 19.8% - having sold 127 534 new vehicles. Moreover, of the top ten vehicles sold in South Africa for 2014, four were Toyota models.

TSAM was also South Africa's number one vehicle producer in 2014, manufacturing 142 739 units. The company manufactures the Corolla, the Fortuner, the Hilux, the Corolla Quest, the Hino truck range and the Quantum minibus at its KwaZulu-Natal facilities. The plant has the capacity to produce about 220 000 vehicles a year, although it has not yet operated at this capacity.

In 2014, TSAM started producing the eleventh-generation Corolla vehicle in left- and right-hand-drive variants. To enable this production, the company invested about R1-billion at its Durban plant, as well as in the development of its staff and its parts supplier network. The company no longer exports the Corolla to Europe, as was the case with the previous model, but rather serves the sub-Saharan market. The TSAM plant also produces the Corolla Quest, which is the previous tenth-generation Corolla, dressed down for

the budget-conscious family market. The production of the Corolla Quest springs from a directive from Toyota Japan that allows for the brand's regions to take greater responsibility in the development of products appropriate for that region.

Meanwhile, TSAM has been selected to produce the new-generation Hilux, which will enter the local market in the first quarter of 2016. The new Hilux will be exported to Africa, Europe and Russia, as is the case with the current model.

TSAM was South Africa's top vehicle exporter in 2014, having shipped 64 789 vehicles to international markets. The majority of these vehicles were Hilux pick-ups. Toyota expects that its vehicle exports could decline in 2015, as exports into Africa will face barriers owing to regulatory changes in Algeria, Nigeria and Angola, with lower oil prices taking an economic toll on many African countries. Meanwhile, Toyota has indicated that it will study the economic merits of producing vehicles in Nigeria.

In terms of quality, the TSAM plant produces the vehicle crowned the best-quality pick-up in South Africa in 2014 – the Hilux petrol single-cab – as well as the vehicle in the number-two position – the Hilux petrol double-cab. This ranking is calculated by research house Ipsos, based on telephonic interviews conducted with new vehicle buyers after three months of ownership. TSAM also holds the title as the local light commercial vehicle plant producing the most problem-free pick-ups of all local plants.

Volkswagen Group South Africa

Volkswagen Group South Africa (VWSA), a wholly owned subsidiary of German vehicle manufacturer Volkswagen, was South Africa's second-largest vehicle producer in 2014, producing 116 002 vehicles in 2014. The company was also South Africa's third-largest vehicle exporter for the year, shipping 54 618 vehicles to international destinations.

VWSA's manufacturing takes place in Uitenhage, in the Eastern Cape, where it produces Polo and Polo Vivo vehicles, as well as engines. The Uitenhage plant is one of two plants in Volkswagen's production network that assembles the Polo, and the vehicle is sold in the local and export markets, with export destinations including countries such as Ireland and Japan. The Polo Vivo,



derived from the previous-generation Polo model, is produced only for the local market. The Polo Vivo was South Africa's top-selling passenger car in 2014, followed by the Polo. South Africa is the world's third-largest Polo market, after China and Russia.

VWSA is assessing what its plant's next round of vehicle production will look like once the new Polo model is launched. The current Polo was launched in 2010, with the model life cycle normally between six and seven years. However, VWSA has indicated that the production of the current Vivo will continue at Uitenhage for the medium term.

In addition to its vehicle production, VWSA also produced 153 000 engines in 2014, of which 90 000 were exported. In mid-2014, the company celebrated the production of the 500 000th EA111 engine at its engine plant, marking the two-millionth engine produced at the facility. Production of the EA111 engine, which is used locally in the Polo and Polo Vivo models, began in 2010 with the engine plant producing 89 000 engines a year.

Following an overhaul of the plant's production capacity in 2013, in response to increased demand from China, VWSA increased its production of engines. The bulk of the engines produced at the plant are exported, to countries including China, India, Malaysia, Taiwan and Mexico. Among the new technologies introduced on the production line to handle the increased capacity was a testing facility, which ensures that each engine is fully proof-tested before leaving the line.

Another development was the introduction of interactive machinery, which assists the operators by guiding them with instructions using a screen that is connected to the electronic bolting equipment.

VWSA is hoping to grow its sales in 2015, aided by the introduction of the entry-level Up vehicle, a new Passat, and the Sportsvan. The company has indicated, however, that the electric Golf will most likely, no longer make its debut in South Africa in 2015. VWSA continues to mull the introduction of a hybrid Golf to the local market.



Picture by VWSA

Presented by:

Powertech 



Appendix 1: Industry data

Industry vehicle sales, production, export and import data: 2000–2016

																Projection	
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
CARS																	
Domestically Produced																	
Local Sales	172 373	172 052	163 474	176 340	200 264	210 976	215 311	169 558	125 454	94 379	113 740	124 736	120 417	113 247	122 571	130 000	145 000
Exports (CBU)	58 204	97 599	113 025	114 909	100 699	113 899	119 171	106 460	195 670	128 602	181 654	187 529	151 659	151 893	154 920	190 000	200 000
Total Domestic Production	230 577	269 651	276 499	291 249	300 963	324 875	334 482	276 018	321 124	222 981	295 394	312 265	272 076	265 140	277 491	320 000	345 000
Total Industry Car Imports	61 749	79 508	78 128	81 919	127 389	208 892	266 247	265 095	203 808	163 750	223 390	271 556	323 796	338 701	318 343	325 000	340 000
Re-exported imports													1 609	1 652	1 650		
TOTAL LOCAL CAR MARKET	234 122	251 560	241 602	258 259	327 651	419 868	481 558	434 653	329 262	258 129	337 130	396 292	442 604	450 296	439 264	455 000	485 000
LIGHT COMMERCIALS																	
Domestically Produced																	
Local Sales	104 121	113 111	101 956	102 007	123 467	146 933	159 469	156 626	118 641	85 663	96 823	108 704	121 638	127 051	137 044	143 000	150 000
Exports	9 148	10 229	11 699	11 283	9 360	25 589	60 149	64 127	87 314	45 514	56 950	84 125	123 443	121 345	118 585	130 000	150 000
Total Domestic Production	113 269	123 340	113 655	113 290	132 827	172 522	219 618	220 753	205 955	131 177	153 773	192 829	245 081	248 396	255 629	273 000	300 000
Total Industry LCV Imports	4 114	4 535	5 291	5 377	8 938	23 199	40 208	47 760	50 825	32 496	36 911	40 597	38 741	41 253	36 951	40 000	47 000
Re-exported imports													205	308	306		
TOTAL LOCAL LCV MARKET	108 235	117 646	107 247	107 384	132 405	170 132	199 677	204 386	169 466	118 159	133 756	149 301	160 174	167 996	173 689	183 000	197 000

Presented by:


Powertech

Industry vehicle sales, production, export and import data: 2000–2016

																Projection	
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
MEDIUM & HEAVY COMMERCIALS																	
NAAMSA sales (incl. Imports)	12 275	13 323	14 335	16 957	21 464	27 406	33 080	37 069	34 659	18 934	22 021	26 656	27 841	30 924	31 551	33 000	35 000
Exports	679	465	582	469	448	424	539	650	1 227	831	861	803	1 076	1 206	1 412	1 500	1 700
TOTAL MCV/HCV MARKET	12 275	13 323	14 335	16 957	21 464	27 406	33 080	37 069	34 659	18 934	22 021	26 656	27 841	30 924	31 551	33 000	35 000
TOTAL AGGREGATE MARKET	354 632	382 529	363 184	382 600	481 520	617 406	714 315	676 108	533 387	395 222	492 907	572 249	630 619	649 216	644 504	671 000	717 000
TOTAL AGGREGATE EXPORTS	68 031	108 293	125 306	126 661	110 507	139 912	179 859	171 237	284 211	174 947	239 465	272 457	277 992	276 404	276 873	321 500	351 700
TOTAL DOMESTIC PRODUCTION	356 800	406 779	405 071	421 965	455 702	525 227	587 719	534 490	562 965	373 923	472 049	532 553	546 074	545 666	566 083	627 500	681 700
GDP GROWTH RATE	4,4%	2,9%	3,7%	2,9%	4,6%	5,3%	5,6%	5,4%	3,2%	-1,5%	3,0%	3,2%	2,2%	2,2%	1,5%	2,2%	2,7%
NO OF VEHICLES PRODUCED PER EMPLOYEE PER ANNUM	11,1	12,4	12,5	13,4	14,3	15,3	15,5	13,9	15,7	13,2	16,8	18,8	18,7	18,1	19,3		

Notes:

Domestically produced cars and LCVS total represents a proxy for aggregate local production.

Historical sales are based on data reported by National Association of Automobile Manufacturers of South Africa (NAAMSA) member companies, vehicle manufacturers, importers and distributors.

Projections are based on NAAMSA analysis and demand assumptions and do not provide for supply side disruptions.

Gross domestic product (GDP) growth rate represents GDP yearly changes at market prices in real terms.

Complete built-up (CBU) export figures are based on projects announced to date. Announcements of new CBU export programmes could change projections.

From 2012, imported vehicles which have subsequently been exported are reflected as "re-exported imports"

Source: NAAMSA, Quarterly Review of Business Conditions, Q4 2014

NOTE: Some of the trade-related figures in this table may differ slightly from those quoted in the report. The discrepancy is related to different release dates for the data.



Presented by:

Powertech

Appendix 2: Company contact details

BMW South Africa

Postal address:
PO Box 2955
Pretoria
0001
South Africa

Telephone: +27 12 522 3000
Fax: +27 11 522 3621
Website: www.bmw.co.za

Fiat Group Automobiles South Africa

Postal address:
Private bag X94
Bryanston
2021
South Africa

Telephone: +27 10 252 5000
Website: www.fiat.co.za

Ford Motor Company of Southern Africa

Postal address:
PO Box 411
Pretoria
0001
South Africa

Telephone: +27 860 011 022
Website: www.ford.co.za

General Motors South Africa

Postal address:

PO Box 1137
Port Elizabeth
6000
South Africa
Telephone: +27 41 403 9111
Fax: +27 41 403 2937
Website: www.gmsa.com

Great Wall Motors

Physical address:
163 New road
Midrand
1682
South Africa

Telephone: +27 11 805 6621
Website: www.gwm.co.za

Honda South Africa

Postal address:
PO Box 7179
Halfway House
1685
South Africa

Telephone: +27 11 847 9400
Fax: +27 11 847 9429
Website: www.honda.co.za



Hyundai Automotive SA

Physical address:

Cnr Norman rd and Lucas lane
Bedfordview
2007
South Africa

Telephone: +27 10 248 8000

Website: www.hyundai.co.za

Imperial Daihatsu

Postal address:

PO Box 25453
East Rand
1462
South Africa

Telephone: +27 11 383 7000

Fax: +27 11 826 3501

Website: www.daihatsu.co.za

Isuzu Truck South Africa

Postal address:

Private bag X3
Sunninghill
2157
South Africa

Telephone: +27 11 563 4000

Fax: +27 11 806 4693

Website: www.isuzutruckssa.com

Iveco South Africa

Postal address:

Private bag X 157
Halfway House
1685
South Africa

Telephone: +27 11 205 3990

Website: www.iveco.com

Jaguar Land Rover South Africa

Postal address:

Private bag X2
Pierre van Ryneveld
0045
South Africa

Telephone: +27 12 450 4000

Fax: +27 12 450 4001

Website: www.jaguar.co.za

Kia Motors South Africa

Physical address:

5 Herman Road
Cnr Dick Kemp street
Meadowdale
1401

Telephone: +27 11 457 0200

Fax: +27 11 457 0253

Website: www.kia.co.za

Mahindra & Mahindra South Africa

Postal address:

PO Box 69079
Highveld Park
0169
South Africa

Telephone: +27 12 661 3161

Fax: +27 12 661 3179

Website: www.mahindra.co.za

Man Truck & Bus

Physical address

105 Andre Grevensteyn avenue
Isando
1609
Gauteng
South Africa

Telephone: +27 11 928 6800

Fax: +27 11 974 3241

Website: www.mantruckandbus.co.za



Presented by:

Powertech

Mercedes-Benz South Africa

Postal address:
PO Box 1717
Pretoria
0001
South Africa

Telephone: +27 12 677 1500
Website: www.mercedes-benz.co.za

Nissan South Africa

Postal address:
PO Box 911-010
Rosslyn
0200
South Africa

Telephone: +27 12 529 6000
Fax: +27 12 529 6820
Website: www.nissan.co.za

Peugeot Citroën South Africa

Postal address:
PO Box 389
Kelvin
2054
South Africa

Telephone: +27 11 879 7400
Fax: +27 11 879 7494
Website: www.peugeot.co.za / www.citroen.co.za

Renault South Africa

Postal address:
PO Box 472
Isando
1600
South Africa

Telephone: +27 11 607 7300
Fax: +27 11 607 7380
Website: www.renault.co.za

Scania South Africa

Postal address:
PO Box 587
Mondeor
2110
South Africa

Telephone: +27 11 661 9600
Fax: +27 11 661 9605
Website: www.scania.co.za

Tata South Africa

Postal address:
PO Box 901
Isando
South Africa

Telephone: +27 11 255 9600
Website: www.tatasa.co.za

Toyota South Africa Motors

Postal address:
PO Box 481
Bergvlei
2012
South Africa

Telephone: +27 11 809 9111
Website: www.toyota.co.za

Volkswagen Group South Africa

Postal address:
PO Box 80
Uitenhage
6230
South Africa

Telephone: +27 41 994 5615
Fax: +27 41 394 5170
Website: www.vw.co.za



Appendix 3: Association contact details

Automotive Industry Development Centre

Postal address:
Private bag X35
Rosslyn
0200
South Africa

Telephone: +27 12 564 5000
Website: www.aidc.co.za

Automotive Industry Export Council

Postal address:
PO Box 40611
Arcadia
0007
South Africa

Telephone: +27 12 807 0086
Fax: +27 12 807 0481
Website: www.aiec.co.za

National Association of Automotive Component & Allied Manufacturers

Postal address:
PO Box 9558
Edenglen
1613
South Africa

Telephone: +27 11 392 4060
Website: www.naacam.co.za

National Association of Automobile Manufacturers of South Africa

Postal address:
PO Box 40611
Arcadia
0007
South Africa

Telephone: +27 12 807 0152
Fax: +27 12 807 0481
Website: www.naamsa.co.za



Presented by:

Powertech 

Main sources

Automotive Industry Export Council. South Africa Automotive Export Manual (2015).

Business Report. Peugeot chooses Nigeria over SA (September 12, 2014).

Engineering News. Toyota starts production of new Corolla as R1bn investment comes to fruition (February 21, 2014).

Engineering News. Nissan starts Patrol assembly in Nigeria, Almera, NP300 to follow (April 25, 2014).

Engineering News. VWSA installs automated guided vehicle line at engine plant (April 25, 2014).

Engineering News. Mid-2017 clean fuels compliance deadline 'off the table' (May 6, 2014).

Engineering News. Ford keeps watching brief on SA's labour climate as it mulls assembly alternatives (May 9, 2014).

Engineering News. Nissan SA weighs localisation options as it delays output of new pick-up (May 9, 2014).

Engineering News. Hino SA to open its new truck plant this month (May 16, 2014).

Engineering News. Policy certainty seen as key if SA auto sector is to avoid Aussie industry's fate (May 30, 2014).

Engineering News. Ten new components firms set up in wake of R5.4bn C-Class investment (June 6, 2014).

Engineering News. SA labour climate has Datsun thinking twice about its African investment options (June 27, 2014).

Engineering News. Davies approves amended auto investment schemes guidelines (July 2, 2014).

Engineering News. First truck rolls off R600m FAW assembly line (July 10, 2014).

Engineering News. E-Class, Hilux best quality vehicles in SA – Ipsos (August 22, 2014).

Engineering News. HASA raises contribution to SA economy through commercial vehicle assembly plant (September 4, 2014).

Engineering News. Dunlop Ladysmith factory to benefit from R1.1bn investment (October 3, 2014).

Engineering News. Mazda investing R150m in SA as the brand separates from Ford (October 10, 2014).

Engineering News. Rising costs, Nigerian growth could spell danger for SA auto sector, says Aus academic (October 14, 2014).

Engineering News. SA's mineral resources are auto industry's only true advantage – Van Zyl (October 16, 2014).

Engineering News. Nissan SA faces two lean years at its Rosslyn plant (October 17, 2014).

Engineering News. Commission probes anticompetitive conduct in auto-parts sector (October 24, 2014).

Engineering News. Benchmarking study shows SA Auto Inc's industrial rise, high managerial costs (October 27, 2014).

Engineering News. Govt's review of automotive sector assistance scheme to be concluded by year-end (November 14, 2014).

Engineering News. Iveco assembly plant to be fully operational by June, to target Tshwane BRT programme (November 19, 2014).

Engineering News. BMW signs renewable-energy offtake deal for Rosslyn plant (November 21, 2014).

Engineering News. Commercial vehicle assembly plant opens in SA (November 21, 2014).

Engineering News. Davies approves MHCv-AIS guidelines (November 24, 2014).

Engineering News. Power outages exacting toll on Ford's PE engine plant (November 28, 2014).

Engineering News. VWSA receives international energy management certification (December 4, 2014).

Engineering News. Bill Ford affirms SA as key manufacturing platform, as carmaker eyes Nigeria (December 12, 2014).

Engineering News. Pick-ups, budget cars, made-in-SA on top in 2014 (January 8, 2015).



Engineering News. Merc, TPT look to containerisation to increase export efficiency (February 4, 2015)
Engineering News. GMSA aiming to double Opel sales (February 13, 2015).
Engineering News. Auto group wins energy efficiency award (February 27, 2015).
Engineering News. Truck industry explores increasing local parts content (February 27, 2015).
Engineering News. Merc views labour instability as greater threat than power disruptions (March 6, 2015).
Engineering News. SA sees launch of second electric vehicle, BMW's first plug-in hybrid (March 6, 2015).
Engineering News. SA a 'logical choice' for African Datsun production plant, says Cobee (March 12, 2015).
Engineering News. From power to skills, BMW outlines the challenges of operating in SA (March 13, 2015).
Engineering News. Toyota's Van Zyl warns of closure 'domino effect' (March 20, 2015).
Engineering News. VWSA expects new offering to close a key market-segment gap (March 20, 2015).
Engineering News. AIDC turns sod at R80m incubation centre (March 25, 2015).
Engineering News. Auto sector wages likely to outpace inflation despite being higher than peer group (March 27, 2015).
Engineering News. KPMG auto survey sees autonomous driving, EVs taking a backseat (April 17, 2015).

General Motors South Africa. Corporate overview (2012).

ITWeb. The electric car revisited (October 17, 2013).

KPMG. Global automotive executive survey (2015).

National Association of Automobile Manufacturers of South Africa. Quarterly review of business conditions: First quarter 2014 (May 2014).

National Association of Automobile Manufacturers of South Africa. Quarterly review of business conditions: Second quarter 2014 (August 2014).

National Association of Automobile Manufacturers of South Africa. Quarterly review of business conditions: Third quarter 2014 (October 2014).

National Association of Automobile Manufacturers of South Africa. Quarterly review of business conditions: Fourth quarter 2014 (March 2015).

National Association of Automotive Component and Allied Manufacturers. The APDP – Summary, Content and Review.

National Cleaner Production Centre of South Africa. Results and impact in the automotive sector.

<http://www.bmw.co.za>

<http://www.ford.co.za>

<http://www.gmsa.co.za>

<http://www.mercedes-benz.co.za>

<http://www.naacam.co.za>

<http://www.naamsa.co.za>

<http://www.nissan.co.za>

<http://www.toyota.co.za>

<http://www.vw.co.za>



Automotive industry 2015: A review of South Africa's automotive industry

The material contained in this report was compiled by Creamer Media (Pty) Ltd's Research Unit, based in Johannesburg, South Africa. It has been compiled from sources believed to be reliable, but no warranty is made as to the accuracy of such information.

Creamer Media's aim is to present its reports in an impartial, user-friendly format for easy reference. The reports draw on material published over the past 12 months and are a summary of other sources of information published in *Engineering News* and *Mining Weekly*, as well as information available in the public domain. The report does not purport to provide analysis of market trends.

This report is designed to be a source of information for subscribers to Creamer Media's *Research Channel Africa* and Creamer Media's *MiningWeekly.com* Research, and is not to be reproduced or published for any other purpose. In particular, the report may not be republished on any other websites and it may not be reproduced or redistributed in any manner.

© Copyright Creamer Media (Pty) Ltd

Presented by:



Powertech 



To subscribe to *Research Channel Africa* or purchase this report contact:
Creamer Media (Pty) Ltd | tel +27 11 622 3744 | fax: +27 11 622 9350 | email: subscriptions@creamermedia.co.za



Presented by:

Powertech